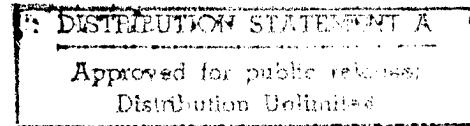


9 APRIL 1990

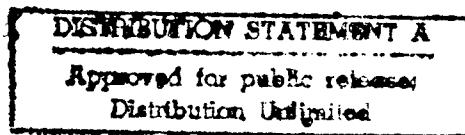


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GENERAL

Dissident Radio Broadcasting Ship Could Face Seizure

HK2403034890 Hong Kong *SOUTH CHINA MORNING POST* (Saturday Review) in English
24 Mar 90 p 1

[By Shane Green]

[Text] She set sail from the ancient French port of La Rochelle a week ago with a cargo of optimism. With multi-coloured flags fluttering between her masts and excited crew lining the bridge, The Goddess of Democracy headed for open waters and glory.

Its mission is naively simple but hugely attractive: head towards international waters in the East China Sea and broadcast the prodemocracy message to the billion people of the mainland.

But one week into the voyage, the mission's goal is in serious doubt. The ship's success, and indeed its survival, depends on a passive China. It has become painfully obvious that that passivity is far from guaranteed.

Should Beijing bite back, the injuries could be dramatic. At the very least, there has been talk of the mainland jamming the ship's medium wave broadcasts, using techniques employed to scramble the Voice of America and British Broadcasting Corporation vernacular services.

But the retaliatory action may go further. There is the possibility that China, using the justification of international law, could seize and arrest the ship and crew, despite it being in international waters.

Then there is the uglier option. "If they are able to locate it, and it's not within the Taiwanese waters, they are going to attempt to sink it, I think," warned Tsim Tak-lung, a respected Hong Kong political commentator.

The warning is not scare-mongering. International diplomats in Hong Kong acknowledge the possibility of the mainland using gunboat tactics.

Mainland officials have left no doubt about their view of the mission, being run by the Paris-based Federation for a Democratic China (FDC), which was formed by exiled mainland dissidents in September.

China earlier this month called in the French ambassador to Beijing, Mr Charles Malo, urging France to block the ship.

"We have been very much concerned with this so-called Goddess of Democracy ship," said a Chinese source. "Its organisers have made it very clear that its sole purpose is to carry out anti-China propaganda broadcasts towards the mainland."

The source added China would "try every means to see what proper action" could be taken, although he declined to discuss specific options.

The FDC expects China to try to jam the broadcasts (it plans, in fact, to publicise the frequencies next month).

"Besides this," said an official FDC spokesman in Paris, "nobody can be sure what they (China) want to do to the ship."

The FDC, however, is confident China's hands will be tied. "Under international pressure, their scope of influence is very much limited," maintained the official.

But as the events of June 4 and the period since have so dramatically illustrated, international pressure can mean little to Beijing.

China may actually be able to move against the ship and claim it is within the boundaries of international law. According to a legal opinion obtained by the *SOUTH CHINA MORNING POST*, international waters may not offer the safe haven that is assumed.

Dr Roda Mushkat, law lecturer at the University of Hong Kong, believes China could seize the ship and arrest and prosecute those on board under Article 109 of the 1982 Law of the Sea Convention.

The article, one of the few exceptions to the general principle of freedom of the seas, deals with unauthorised broadcasting from the high seas.

Under the article, the state receiving the broadcast may prosecute and "arrest any person engaged in unauthorised broadcasting and seize the broadcasting apparatus."

Article 109 was drafted to deal with off-shore, so called "pirate" radio stations in the North Sea in the 60s.

Dr Mushkat emphasised the convention was not yet in force, although it partly codified existing general and customary international law.

"This article may be deemed to represent the state of the law," said Dr Mushkat, who stressed she was merely conveying the legal situation, not advocating such action. She also added that the state of the law could be open to different interpretations.

Dr Mushkat went on to explain that China could cite evidence of other state practice, like the European Agreement for the Prevention of Broadcasting from Stations Outside National Waters, signed by 15 parties, including the United Kingdom.

The prospects of dramatic Chinese action must be chilling for those who will man the ship and broadcast from it.

There is a French crew of 10, which took The Goddess out of La Rochelle last Saturday and will sail her into position. Once there, she is expected to take on board

Chinese nationals, including student dissident Wuer Kaixi, wanted by Beijing for his part in last year's "counter revolutionary rebellion."

The ship, a former British oceanographic vessel, is flying under the flag of Saint Vincent and the Grenadines, a Commonwealth country in the West Indies.

Observers believe that had the The Goddess been sailing under a French flag, the level of international protection would have been much greater. Nevertheless, the fact that the crew is made up of French nationals will involve Paris should any action be taken against it.

Regardless, Sino-Franco relations, which have taken a severe battering since the June 4 massacre, are likely to be further strained.

Apart from being the seat of the FDC, France has offered papers and sanctuary for fleeing prodemocracy dissidents. And as the protest to the French ambassador in Beijing demonstrated, China sees a direct French link to the operation.

Paris hasn't moved to block the mission by the dissident radio ship. "It is not a Government-sponsored project," explained an official of the French Consulate-General in Hong Kong. "We have nothing against it, but we don't sponsor it either. It is private. We cannot interfere in their (the FDC's) internal affairs."

The money for the project has come from 18 newspapers and magazines in Taiwan, Hong Kong, and Singapore. The ship alone, built in 1963, cost 2.2 million francs (HK\$1.7 million), and the on-going expenses will be substantial.

Strong media backing and coverage will be the ship's main line of defence. The FDC maintains it will give journalists access to The Goddess once it is in location.

But some believe that won't be enough to stop Chinese action. "Honestly, I am worried for my friends," said Thomas Lu Keng, publisher of the Hong Kong China-watching PAI SHING magazine, who believes the military option will be considered after diplomatic means are exhausted.

"Of course they are in danger," he continued. "The communists would stop at nothing. They killed people in Beijing under watchful eyes. I am worried for my friends' safety. The communists are barbaric people. You cannot reason with them."

The ship will need a friendly port from which support can be received for the round-the-clock broadcasts, due to begin in the middle of next month and to continue through to mid-June.

The Goddess is likely to face major obstacles should it try to drop anchor in Hong Kong, where it has appealed to the territory's democracy activists for help in publicity.

But the tense state of relations between the mainland and Britain and Hong Kong makes it seem unlikely the ship will be allowed in Hong Kong waters.

Entry is at the discretion of the Director of Marine, who is not required to provide any reasons. Ships from Soviet bloc countries have previously been denied entry.

Hong Kong authorities can also resort to immigration laws, and have demonstrated they are prepared to use regulations in regard to mainland dissidents and the FDC.

Last November, the Government refused entry to FDC member Qian Da, who had been invited to Hong Kong to speak in a series of seminars on China affairs.

Two other dissidents had been refused entry only days before the Qian denial. Senior Government officials maintained the administration was acting within the law, and was entitled to refuse entry to anyone. They also maintained there was no blanket policy with regard to dissidents.

But the Government is clearly sensitive to mainland concerns about Hong Kong being used as a base for subversion, and there are no indications that sensitivity has lessened.

Chinese officials in Hong Kong are believed to have had contact with the administration on the matter.

Apart from political considerations, there is the extremely grey area of what constitutes Chinese territorial waters. While there is a recognised international channel into Hong Kong, official PRC maps show the South China Sea as belonging to the mainland.

Taiwan's response to the ship has been a general statement of support. As far as Taiwanese port facilities are concerned, officials in Taipei say an application hasn't been received.

But with the recent student demonstrations in the capital, analysts say it is natural to assume that Taipei would rather have the ship stay away.

Some analysts are seeing The Goddess as a desperate bid by the exiled prodemocracy movement to recapture lost momentum.

Since it was formed in September, the FDC has faced criticism for its failure to achieve anything substantial.

The credibility of Wuer Kaixi, FDC vice-president, has also been questioned. Faced with a hungry Western media, Wuer Kaixi has made a string of dubious pronouncements, including his August claim that Deng Xiaoping was dead.

The FDC, meanwhile, has watched as the dramatic upheavals in East Europe have shifted the focus in the West away from the Chinese prodemocracy movement.

The Goddess does have enormous potential for media coverage. The scenario is perfect: brave dissidents on the high seas attempting to spread the message of democracy to their oppressed compatriots, with possible harassment or worse from the oppressive Beijing regime.

The ship itself is fitted out for photo opportunities. A figurine of the Goddess of Democracy rides on the bow, while her image is emblazoned on the foredeck, perfect for aerial shots.

It has all the ingredients for a Big Media Event.

The critics regard it as nothing more, especially given the certainty of the mainland jamming the signal. "I think it might waste a lot of time and energy," said one local democracy activist.

"It's an awfully complicated thing," said T.L. Tsim, the political commentator. "On the one hand, they've got to keep the momentum going. After June 4, a lot of the members have been exiled, and keeping the momentum going is an important thing for them, obviously. This would help them in that regard.

"But on the other hand, it could draw the ire of the PRC and outcome of that could be diabolical, disastrous."

The certainty in all of it is that despite the optimistic idealism, The Goddess of Democracy and her crew are sailing into stormy waters.

UNITED STATES

Article Calls U.S. TV 'Intrusion' Into Cuba 'Sabotage'

HK3003150090 Beijing *RENMIN RIBAO* in Chinese
29 Mar 90 p 4

[Article by Yan Zhong (1750 1813): "A New Trick of Television Intrusion"]

[Text] In the course of carrying out an economic blockade and political isolation against socialist Cuba, the United States has started test broadcasting of "Television Marti" to Cuba, with the aim of infiltration, subversion, and sabotage.

The space application of wireless technology is a part of a nation's sovereignty. The U.S. Government has formulated this program to carry out instigative propaganda with the purpose of subverting a sovereign country. This act of brutal interference violates the UN resolution on television broadcasts via satellite and its treaty on the use of space. Therefore it has been strongly condemned by the Cuban Government and people.

The United States began to use broadcasts for infiltration and subversion against Cuba long ago. In 1960 the U.S. "Radio Swan" incited the Cuban counterrevolutionary clique to oppose the newly born government, and supported U.S. mercenaries in invading the Bay of Pigs.

In March 1970 the U.S. Government instigated subversive activities in Cuba through the "Voice of America," and the Central Intelligence Agency instructed several commercial radio stations in Miami to provoke separatist activities in Cuba. In May 1985 the U.S. Government set up "Radio Marti," aimed at broadcasting programs to Cuba, thus escalating its psychological warfare. This radio station, specializing in spreading rumors and vilifications, has even gone as far as to use the name of a Cuban national hero. This profanity has greatly harmed the national feelings of the Cuban people. Now U.S. radio programs for Cuban listeners add up to 60 hours a day. This time the United States is playing a new trick with its high technology and financial superiority; it is using television broadcasts to carry out infiltration and subversion against a sovereign country. The United States has racked its brains trying to introduce peaceful evolution to socialist countries.

Cuba is only 90 nautical miles from the United States. For the last 31 years the United States has maintained its economic blockade against Cuba and tried to isolate it. But the United States has been unable to subjugate it. Since its military and economic means have proved to be of no avail, the United States has no alternative but to "start" its television "intrusion." But this is unlikely to produce any results in the face of the militant Cuban people. It is advisable that the United States pack up the stall.

SOVIET UNION

PRAVDA's Appeal to Stop Societal 'Lawlessness' Reported

OW2603212890 Beijing *XINHUA* in English
1455 GMT 26 Mar 90

[Text] Moscow, March 26 (XINHUA)—Soviet leading newspaper, PRAVDA, today appealed for firm action to stop acts of lawlessness in the Soviet Union.

According to an article by PRAVDA's editorial board entitled "Democracy and Anti-Democracy—To Whose Favor That Emotional Mass Rallies Do," [as received] 5,300 mass rallies involving 12.60 million people occurred in the Soviet Union last year, while a total of 1,500 mass gatherings involving seven million people occurred this year ending on February 25.

Some rallies called for making "a new February revolution," and "breaking into the Kremlin and the State Security Committee" to work towards the release of prisoners.

The article said the struggle for power was becoming more naked. The latest mass rallies were more and more featured with "antiparty and antisocialism." A number of people were engaged in activities designed to carry out "Czechoslovak-style," "German-style," and even "Romanian-style" operations in the Soviet Union.

The article urged extensive measures to keep law and order, and "to apply full legal force onto those who dare to stir up social and ethnic hostilities."

The article denounced the activities of splittism by Lithuanian Communist Party and factionalists within the Soviet Communist Party, and stressed the need "to take drastic actions within the legal framework" in tackling such activities.

Soviet Criticism of U.S. 'Interference' in Lithuania Noted

OW2803055990 Beijing XINHUA in English
0254 GMT 28 Mar 90

[Text] Moscow, March 27 (XINHUA)—Moscow came out with an open criticism of the United States for the first time in the Lithuanian crisis today, describing a Senate resolution on the issue as "outright interference in the internal affairs of the Soviet Union."

Foreign Ministry spokesman Gennadiy Gerasimov told a news conference that the resolution was "an act contradicting the norms and principles of international law."

The U.S. Senate resolution adopted on March 22 called for an end to Soviet intimidation of Lithuania and for President George Bush to consider establishing diplomatic relations with the Lithuanian Republic.

Gerasimov also described as "unacceptable" the ultimatum-like tone in some points of the resolution, saying the U.S. move might detonate "the already difficult and explosive situation."

"The attempt by the U.S. Senate to influence the dynamics and nature of processes in our country, rather than leading to a settlement of the situation, only aggravates it, bringing confrontation between various groups of the Lithuanian population to a head," the spokesman said.

Gerasimov also reiterated that any secession attempts and declarations would be regarded as "illegal and invalid" before a bill on the republic's secession from the union was passed by the USSR Supreme Soviet.

Referring to a peaceful settlement of the issue, Gerasimov claimed "the Soviet side, more than anybody else, is interested in settling the situation in Lithuania by means of political dialogue."

Earlier, visiting U.S. Senator Edward Kennedy told reporters that Soviet President Mikhail Gorbachev had indicated to him that the force would not be used unless the people's lives in Lithuania were threatened.

However, the Soviet troops' move to seize the headquarters of the Lithuanian Communist Party and catch deserted Lithuanian soldiers have increased fears that force might be used.

NORTHEAST ASIA/PACIFIC

Political Goals of Kaifu's European Trip

90ON0424A Beijing LIAOWANG [OUTLOOK] in Chinese No 5, 29 Jan 90 p 42

[Article by special correspondent Jiang Yuzhe (5592 6276 3181): "Kaifu's European Trip"]

[Text] Japanese Prime Minister Toshiki Kaifu concluded his 11-day European tour and returned to Tokyo on 18 January. In the wake of the profound and complex changes that took place in Europe, Kaifu's trip, made on the onset of the new year, was viewed as an attempt by Japan to establish itself as a "political power." Therefore, his visit has provoked widespread concern in and outside Japan.

Japan's economic power has risen sharply in recent years, as it replaced the United States as the number-one creditor nation. Since the late 1980's every Japanese prime minister stressed the need for Japan to play a significant role in international affairs compatible with its position as an "economic power." The primary purpose of Kaifu's European visit was a further testimony of Japan's intention to develop its status of a "political power" in international affairs in the nineties. So, Kaifu repeatedly emphasized during his tour that Japan wants to become a "political power" to contribute to the "formation of a new world order." His talks were aimed at thwarting attempts by the United States and Europe to exclude Japan in the establishment of a "new world order."

Before his visit Kaifu wrote a personal letter to U.S. President George Bush, which, according Japan's Foreign Ministry, expressed Japan's desire that "a new world order be created by Japan, the United States, and Europe." While in West Berlin, Kaifu delivered a speech which emphasized that Japan would "make positive contributions to the creation of a new world order." During his talks with leaders of West European nations and the chairman of the European Economic Community, Kaifu stressed the importance of a strengthened relationship between Japan and West Europe, adding that "close cooperation by the United States, Japan, and Europe will bear significance on the creation of a new world order."

Kaifu has hoped that through his dialogue with West European leaders he could help lessen the trade conflict between Japan and West Europe and prevent Japan from being boycotted by developed Western countries if the conflict is heightened. Japan has also offered to provide economic aid to East European countries in an effort to pave the way for entering the East European market in the future.

Japanese products have swamped the West European market in recent years, causing alarm and protest by West European nations. Some countries even adopted punitive measures against "dumping" of Japanese

goods. At the moment, Japanese enterprises have begun to purchase a large quantity of properties in West Europe, triggering widespread aversion among the residents. In addition, protectionism is increasingly becoming the main feature in the world economy, and the European Economic Community is scheduled to set up a unified big market in 1992. Fearing that this might affect the expansion of Japanese enterprises in Europe, Kaifu has sought to ease Japan's trade tension with Europe and reiterated Japan's plans to further open up its market. Kaifu also welcomed the planned establishment of an EEC market, but said he hopes that this market will be open to foreign products. He emphasized that Japan wants to increase economic cooperation as well as scientific and technological exchanges with West European nations.

Kaifu visited Poland and Hungary in East Europe. All East European countries now need foreign capital funds and technology to help offset their economic difficulties. To Japan, it is high time to use its money and technology to enter the East European market. Kaifu offered a package of economic aid totaling \$1.95 billion, which included a loan of \$1 billion with preferential interest rates. He also announced that 800 students from Poland and Hungary would be invited within five years to Japan to learn advanced technology and management. But no agreement has been reached on economic cooperation between Japan and Poland, and Poland has expressed

disappointment about it. In addition, West Europe has expressed concern and alarm about Japan's move to enter the East European market.

Observers here pointed out that Kaifu was setting his eyes on Japan's parliamentary elections in February while he was visiting Europe. Japan went through political trouble last year, causing several prime ministers to resign. Troubled by a policy that increased consumer taxes and the Recruit scandal, the ruling Liberal Democratic Party was poised for an unfavorable result in the parliamentary elections. To make matters worse, Kaifu is a member of a small faction in the party and has to rely on the support of major factions. That he took time out from a hectic campaigning schedule to visit Europe underlined his attempt to enhance his internal status through diplomatic achievements.

Commenting on Kaifu's seven-nation European tour, the Japanese media said that "from the point of view that it expanded Japan's diplomatic maneuvering, it deserves positive approval," and "Japan's position that it wants to participate in the creation of a new world order has been recognized." Some foreign newspapers said Kaifu's European trip "possibly signifies a cautious first step by Japan to use its economic power to seek world political strength," and that it "did not achieve full-scale success."

Wan Runnan Discusses Goals of Democracy Front

HK0903091490 Hong Kong CHIUSHIH NIENTAI
[THE NINETIES] in Chinese No 2, Feb 90 pp 32-33

[Article by Wan Runnan (8001 3387 0589): "Creating the Environment—Creating a Momentum—Returning to China"]

[Text] [Editor's note] Wan Runnan, formerly general manager of the Stone Corporation in Beijing, is currently secretary general of the exiled Federation for Democracy in China (FDC). This article was dictated by Wan Runnan and recorded by our correspondent. [end editor's note]

Yesterday, as general manager of the Stone Corporation, I believed that what I was doing was creating the environment; today, as secretary general of the exiled FDC, I believe that what I am doing is creating a momentum for democracy in China; tomorrow, after restrictions on political parties have been lifted, I will return to China as a member of the FDC and become part of the force outside the party that checks and balances the power of the Chinese Communists.

Before this, I used to think that the decade of reform has brought to China a gleam of hope, the chance of a lifetime for the growth of Chinese entrepreneurs. China's markets were so thirsty that, with the slightest bending of the rules, they will bring great hope to China. It was with this in mind that I started the enterprise.

Running an Enterprise Without Norms To Go By

I have always said that China has too few qualified entrepreneurs but too many unqualified politicians. Running an enterprise in an environment such as this requires not just the ability of an entrepreneur, but also the courage and resourcefulness of a politician, as well as the brain of a scientist. This is so because we are running enterprises in a situation where there are neither any norms nor any system to go by. We have to do business on the one hand and create the environment for doing business on the other.

My idea then was that there should be a division of work between the entrepreneur and the politician, with the former making the cake and the latter cutting it up. The entrepreneur's job is to make the cake as big as possible, while the politician's task is to distribute it in as fair a way as possible. I see the job of distributing the cake as something of secondary importance. If all we have is a small cake, people will only be given a small piece no matter how fair we are. Thus, the thing to do is to make the cake bigger in the first place even if it means a little unfairness somewhere along the way. That way everyone will get a bigger share and social problems can be solved more easily.

My other idea was that the democratization process in China will be a long process, one that cannot be accomplished overnight. The precondition for democracy is the formation of a powerful middle class. Without the

middle class and without a stable majority, we will not have social stability, and democracy will have no foundation. Although a democratic society needs a middle class as its stable majority, the promotion of the movement for democracy, the dissemination of democratic ideas, and the initiation of democracy do not have to wait until after the middle class has been formed. I said at the time that the Stone Group would become an enterprise that was going to bring up China's first generation of the middle class. The Stone Group became the subject of much discussion because of the demonstrative role it played and the changes it brought to society. In a sense, the upper communist echelon is no fool. They are well aware of the influence of a private enterprise like ours. When the Stone Group became the center of a big controversy, the Central Advisory Commission assigned the old hardliner Duan Junyi [3008 0689 3015] to head the investigation. After a week's investigation, the conclusion he drew was that an enterprise like the Stone Group must be subject to restrictions. They clearly saw the political impact of an enterprise like ours. For the Communist Party, one-party rule means total control of the economy. The Communist Party will feel compelled to take political actions if this total control by the party is encroached upon.

Party Control Has Obstructed the Development of the Stone Group

The Stone Group had been able to maintain a firm foothold partly because it had been making money and paying the state 50 million yuan in taxes, and partly because of the affirmation given by Zhao Ziyang. At one stage, Shanghai planned to build an industrial zone at an estimated cost of 1 billion yuan, and Zhao Ziyang was requested to go and have a look at the plan. Zhao said, "I am not going and I do not want to look at it. You are still following the old practice. I favor the Stone practice. They have started their business and have done very well without asking the state for a single cent."

The Stone Group cannot develop further without an improvement in China's overall environment. Enterprises require an environment in which to develop, and this environment includes the political environment and the legal system. Since this environment was absent, we had to create the environment while striving to develop. To us, running enterprises is the means and the feeler for improving the overall environment in China. Besides running an enterprise, we also set up the Stone Institute for Social Development, appointing as its Director Cao Siyuan [2580 1835 3293] of the State Commission for Economic Restructuring. We also enlisted the services of scholars of political insight like Zhou Duo [0719 5305]. They had done a lot of studies and probes on the insolvency law, the public gallery system for the NPC [National People's Congress], reform of the NPC committee, and the revision of the Constitution to ensure protection of private property rights. The Stone Group had created scholarships tenable for study at the Science and Technology University and many other schools.

The further development of the Stone Group was obstructed by one-party rule. In this connection, the biggest obstacle lies in the fact that property rights are not clearly defined. We had hoped to develop gradually through the clarification of property rights. At that time, the Stone Group suggested offering some shares to the government. We said that although the government has not put in any investment and although we have developed the business ourselves we still believe that we could not have come this far without your support. For this reason we want to offer you some shares. Our idea then was that since the part we are offering is quite clear what is left for us will also be quite clear. However, they obviously did not find this acceptable. To them, what is yours is all mine. They said, "It is true that the company was started by you, but do not forget who nurtured you. You are nurtured by the party and the people. Without our nurturing and support, do you think you could have started in the first place?" This sounds reasonable according to the logic that "the party is the entire world." So I said, "You want a say now because the Stone Group is making money. Do you still want any part of it if the Stone Group loses money?" They said, "We want no part of it." The matter could not have been more clearly put. Later we came up with the idea of internationalizing the assets of the group by engaging in joint ventures. However, that still could not solve the problem because, although our equity rights in Japan, Singapore, and the United States were quite clear, those in China were still not well defined. At last we came up with the third idea, and that was to have the Stone Group go public on the U.S. and Hong Kong stock markets. We were just about all set for the launch when Li Peng withheld his consent. He said that other enterprises may do this, but not the Stone Group. In other words, enterprises with government funding may, but not enterprises run with private funds.

Three Future Goals

On the whole, my idea of yesterday was to create the environment, while my idea of today is to create a momentum. As I see it now, unless one-party rule is ended, economic impetus will be limited and there will be no way to make any breakthrough on key issues.

For private ownership to be realized on the economic level, it is necessary to practice the multiparty system on the political level. Unless these two issues are resolved, economic growth as a whole will be like a castle on the sand and will crumble at any moment.

There is a counter-argument for the reforms in China, the premise of which is economic and political reforms are necessary because there are defects, and if there are no defects, reforms would have been unnecessary. Who is responsible for carrying out the reforms? They are carried out by the system that produced these defects. However, when reforms touch on the sore spots of those with vested interests, for instance, when the economic reform seeks to change property rights under party control and when the political reform seeks to change

one-party rule, that is where the reform must end. Unless the position on these two issues is changed, reform of the economic and political structures will be get nowhere. As a matter of fact, this had been pointed out by some people very early and was proved by the 4 June incident.

Nonetheless, without the decadelong economic reform, the sense of democracy would not have developed to the extent demonstrated during the 1989 movement for democracy, and the issue of opposition to one-party rule would not have come under the spotlight.

Today, reform has seen a major setback in China. It has not only become impossible for us to create the necessary environment in China, but the survival of other private enterprises is also at stake. However, the goal of opposition to one-party rule has become very clear; hence, the need for us to create a momentum in China and abroad. As the motive force of history, we must promote changes in China. As a first step, we must press the Chinese Communists for reshuffling and rehabilitation. The 4 June murderers must be toppled and the Tiananmen incident must be redressed. These are our short-term demands. The second step is to lift restrictions on political parties and on the press—this is our intermediate demand. The third step is to bring about democratic politics and a free economy—this is our long-term demand.

The duration for the reappraisal of historical events should be as short as possible. The reappraisal of the antirightist movement took more than 20 years; the reappraisal of the Cultural Revolution and of Liu Shaoqi took 10 years; but it took Deng Xiaoping only three years to stage his comeback. Hence, the reappraisal of the recent incident should not take more than three years. If they want me back after the reshuffle and the rehabilitation, I will go back. However, I will go back to China not as a Communist Party member, but as a member of the FDC, a force which checks and balances the power of the Communist Party. There will definitely be a time for this. The international environment is one for democracy. Taiwan is moving toward democracy. The democratic tide is in line with the will of the people. Those who submit to it will prosper while those who resist it shall perish. Can the Communist Party, which is caught in the middle of all these, go against the tide of history? I believe that one-party rule of the Communist Party cannot last beyond 1997. The people of Hong Kong do not have to worry themselves sick, although it would not hurt to make some preparation and put in some efforts. They must, however, realize that China will change. The Chinese Communists have lost all popular support. Their days are numbered, and it will not be long before great changes take place.

Retired Cadre Discusses Communism, Democracy Movements

90ON0352A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 2, Feb 90 pp 32-35

[Article by Chien Fu-chih (0578 1133 2172): "China's Movement for Democracy Should Learn From Eastern Europe"]

[Text] A retired senior cadre from Beijing who once attended the Higher Party School was recently in Macao visiting relatives. The author had an interview with him during his visit. He answered questions and agreed to the publication of the records of this meeting on the condition that his name be withheld. The following is the transcript of this meeting.

[Chien Fu-chih] The momentous changes in Eastern Europe must have produced a great impact on the top echelon in Beijing. What is the new situation?

[Answer] The Beijing leaders are laden with anxiety about the changes in Eastern Europe. The death of Ceausescu really put them in a panic, although it was not reported in the newspapers or on the radio.

After the news of the execution of Ceausescu was announced on the television on the afternoon of 26 December, the CPC Politburo called an emergency meeting the same night. It was decided that the maintenance of stability would be grasped as a task of overriding importance.

[Chien Fu-Chih] If stability is so important, why did the Chinese Communists lift martial law?

[Answer] There were many reasons that led to Li Peng's announcement on the lifting of martial law in Beijing, and one of these was the effect of the monumental changes in Eastern Europe. Deng Xiaoping was afraid that extended martial law would aggravate the contradictions among the masses. He was also afraid of one day becoming a second Ceausescu.

[Chien Fu-Chih] What is the view of the Chinese Communists on the sudden turn in the East European situation?

[Answer] The view of the Chinese Communists may be summed up as follows: First, the changes in Eastern Europe represent turmoil turned counterrevolutionary rebellion. However, to the outside world all the Chinese Communists can say is that they "will not interfere in the internal affairs of other countries." Second, the changes in Eastern Europe were brought on by imperialism and hostile forces. Third, Gorbachev's "new thinking" aggravated the difficulties of East European countries. Fourth, the most important cause of the momentous changes lies in the fact that the East European countries had not carried out a thoroughgoing revolution. For a long time the ruling parties there had tolerated the unchecked spread of "bourgeois liberalization" and had failed to take precautions.

[Chien Fu-Chih] In February 1956, at the 20th National Congress of the Soviet Communist Party, Khrushchev denounced Stalin for his personality cult. This led to a series of chain reactions in the socialist camp: Rakoczy of Hungary, Bierut of Poland and leaders of some other East European countries were toppled one after another. This culminated in the October uprising waged by the people in Budapest, the capital of Hungary. At that time, Mao Zedong resorted to an "overt scheme" in China by

"luring the snake out of the cave" and launching the "antirightist" movement. Stability was thus maintained on the China mainland. This time, just prior to the momentous changes in Eastern Europe, the Chinese Communists carried out massacres and were apparently able to achieve stability. What is your view on this?

[Answer] In 1957 the Chinese Communists launched the "antirightist" movement and arrested more than 500,000 "rightists." This did stabilize the situation at the time. The 4 June incident last year also succeeded in preventing changes of the East European style in China. However, the background of the two events are quite different.

In 1957 when Mao Zedong launched the "antirightist" movement the Chinese Communists were like the sun at high noon in their prestige. The broad masses of the people regarded the Communist Party as their "great savior." As the saying goes, "Heaven and earth are great but greater still is the kindness of the party; there are millions of good things but nothing is as good as socialism." Only a small number of intellectuals were able to see the nature and problems of the Communist Party, and these people were rather isolated in the country as a whole. Thus, when they were named "rightists" by the Communist Party, the general public looked upon them as "bourgeois intellectuals" who had not properly reformed themselves and as "class enemies." The majority of them also thought of themselves as "class enemies" when they were classified as "rightists." They dared not "say or do anything indiscreetly," and resigned themselves to the lot of being "rightists" for scores of years.

The 4 June incident was totally different. Due to their own degeneration and corruption, today's Chinese Communists have become the "enemies" of all Chinese people. They are in a very isolated position. The "Tiananmen Incident" of 1976 had fully demonstrated that the prestige of Mao Zedong and the Chinese Communists had gone thoroughly bankrupt. Since coming to power, Deng Xiaoping followed a policy of reform and opening the country to the outside world. However, many people were aware early on that he was trying to "save the party" rather than trying to save the country. The personal prestige of Deng Xiaoping has never caught up with that of Mao Zedong just after nationwide "liberation," and the prestige of the Chinese Communists had taken a deep plunge. The communist cadres had aroused the deep hatred of the ordinary masses with their corrupt practices and evil-doings. This was why the 50-day student movement and movement for democracy broke out.

We may say that the "antirightist" movement occurred when the ordinary Chinese people supported the Communist Party, while the 4 June massacre took place when the Chinese people generally wanted to "overthrow the Communist Party." Hence, the "rightists" were regarded by the Chinese people as "class enemies," while the

"counterrevolutionaries" who took part in the 4 June incident were heroes in the minds of the Chinese people.

After the "antirightist" movement, Mao Zedong thought that the move was correct and timely. Today, although Deng Xiaoping and Li Peng claimed that "the policy of quelling the rebellion was correct," they knew that they were, in fact, sitting on a gunpowder depot which was going to explode any time.

[Chien Fu-Chih] What sort of experience and lessons do you think the changes in Romania have brought to the Chinese people?

[Answer] There are currently two different ways of dealing with the surging mass movement in the communist world. One is the Chinese Communist approach, which first vilifies the mass movement as something instigated by the imperialists and hostile elements and then takes steps to suppress and quell the "counterrevolutionary rebellion." The other is the approach of East European Communist Parties (excluding the Romanian Communist Party), which goes along with the tide and the aspiration of the people by holding dialogue, introducing reform, and abolishing one-party rule.

Romania adopted the Beijing approach. Ceausescu used tanks, machine guns, and helicopters to suppress the demonstrating masses. But he failed. This was a cause for celebration as far as the people are concerned, but it came as a heavy blow to the Chinese Communists.

Had Ceausescu's bloody suppression succeeded, the Chinese Communist leadership would definitely jeer at the ruling cliques of other East European countries for being weak and not having the guts to suppress the "hooligans" and safeguard "socialism." Now Deng, Li, and Yang are not only rendered speechless, but have to order the Red Cross to lend support to the revolutionary regime of Romania. One really knows not whether to laugh or cry at this situation.

The victory of the Romanian people shows that in this stage and age, if the obstinate rulers are unwilling to hand over their power peacefully, the revolutionary people have to be ready to resort to nonpeaceful means to seize political power. They have to use revolutionary violence to overcome counterrevolutionary violence.

[Chien Fu-Chih] Will this not lead to "the replacement of one tyranny by another"?

[Answer] The seizure of political power by violence is a measure taken by the revolutionary masses when they have no other choice. The bourgeois revolutions of both Britain and France resorted to violent means. That the British sent Charles I and the French sent Louis XVI to the guillotine was of the same nature as the Romanians putting Ceausescu before the firing squad. Since the Deng-Li-Yang clique has massacred so many people, why should they not be sent to the guillotine?

The question is that after seizing political power with violence, we must guard against the emergence of a

dictator and must truly bring about pluralism and economic liberalization, develop the productive forces, and improve the livelihood of the people. In this stage and age, the masses have become more and more mature, and this makes it difficult for new dictators to emerge after the old dictators are toppled.

[Chien Fu-Chih] The changes in Eastern Europe have taken everyone by surprise with their swiftness and scale and the profundity of their influence. What do you think are the fundamental reasons?

[Answer] The momentous changes in the East European situation are the outcome of protracted struggle between democracy and dictatorship, freedom and autocracy, human rights and totalitarian power, human nature and slave mentality (party spirit). On the surface, they appear to be contingencies, but they are in fact the inevitable outcome of historical development.

One can trace the history of opposition by the people of various East European countries to communist and Soviet rule and suppression. In June 1953 the people of East Berlin rose in rebellion; in October 1957 the people of Budapest, the capital of Hungary, staged an uprising; in August 1968 the "Prague Spring" started in Czechoslovakia. These movements for democracy were all crushed by Soviet tanks.

Earlier, the autocratic rule of Stalin was challenged by people like Bukharin, Trotsky, and Zinoviev, who were later killed by Stalin under false charges of being "counterrevolutionary elements" and "foreign spies."

Still earlier, during the time of the Second International, there was the struggle between Lenin and people like Bernstein and Kautsky. (*Editor's Note*) (*The Second International was founded in 1889 as an international union of socialist parties. In 1895, after the death of Marx, it split into three factions, led by Lenin, Bernstein, and Kautsky, respectively.*) Lenin accused Kautsky of being a "revisionist," a "coward," an "armchair politician," a "bookworm," a "blockhead," and so on. The fact is, practice over the past 100 years has shown that many of the views of Kautsky are correct, whereas many of Lenin's critical remarks are wrong, cannot hold water, and are out-and-out "Left opportunism."

In China, it seems that Chen Duxiu, who was criticized by the communists as a "right opportunist," was closer to truth than Mao Zedong ever was.

Hence, the current momentous changes in Eastern Europe represent a genuine revolution, a revolution in which human nature prevailed over the slave mentality. Its great significance is epoch-making. All socialist countries that are, in fact, variations of feudal Fascism must take the road of Eastern Europe. This is something "independent of man's will." If Deng Xiaoping tries to reverse this "major climate," he would be overrating his own abilities, like the mantis trying to stop a chariot.

[Chien Fu-Chih] Some people say that Gorbachev's "new thinking" is the decisive reason for the momentous changes in Eastern Europe. What do you think?

[Answer] Mao Zedong pointed out that external causes operate through internal causes. The Chinese Communists said that the momentous changes in Eastern Europe were brought about by imperialism, hostile forces, and Gorbachev's "new thinking." This was a deliberate attempt on their part to obliterate the internal causes of the changes in Eastern Europe and to attribute the collapse of communism to external causes.

From the October Revolution in 1917 to the "liberation" of South Vietnam in May 1975, the Communist Parties have in fact been in an offensive position throughout the world. In November 1957, the year the Soviet Union launched its first satellite into orbit, the Communist Parties of various countries met in Moscow and Mao Zedong put forward the idea of "the east wind prevailing over the west wind." The Communist Parties then launched an all-out "strategic offensive" against the capitalist world. In the decades that followed, practically all wars between the communist world and the Free World ended with the Communist Parties emerging victorious.

The fundamental reason for the triumph of Communist Parties was: The laboring people of capitalist and backward countries were extremely resentful of the capitalist system that mercilessly exploited them, and they began to blindly pin their faith on Marxism. The Communist Parties organized themselves with "iron discipline" and defied dangers, carrying out the so-called "last-ditch struggle" in an attempt to "liberate" all mankind.

Facts have proved that the Communist Parties have been very successful in their tactics of seizing political power, but have failed very badly in leading construction and production. All communist countries have made a mess of their production and construction. After the Cultural Revolution in China, the "wholesale slaughter" in Cambodia, and the "mass exodus" in Vietnam, the true features of the Communist Parties have been bared to the people of the whole world. Communism has gone completely bankrupt in the eyes of the people of the Free World. Even in countries under communist rule, the people have a serious "crisis of confidence" in communism.

Leaders of Communist Parties are carrying out economic reforms in an effort to "save their party." However, these economic reforms have produced sharp contradictions in the ossified ruling structure of the Communist Party. There is growing demand from the people for the Communist Party to introduce thoroughgoing reform. The 4 June massacre perpetrated by the Chinese Communists educated the people of the communist world and made them determined to bury the communist system forever. Thus, while China's 4 June incident and Gorbachev's "new thinking" are the external causes of the momentous changes in Eastern Europe, most important of all is the internal cause,

namely the determination by the common people of these countries to bury the Communist Party.

At the moment, changes like those in Eastern Europe have not yet taken place in the three Indochinese nations (Vietnam, Cambodia, and Laos), North Korea, Cuba, and Mainland China. However, I believe the Communist Parties are like a rotten apple that will rot and drop down regardless. Changes will erupt in Vietnam, North Korea, and Cuba in the near future. The last stubborn fortress will probably be Mainland China, but that too will see changes in the not too distant future. Today, the Communist Party has become a real "paper tiger" and can be punctured at any time.

[Chien Fu-Chih] The cycle in which dictators are toppled in recent mass movements has been shortening. What does this mean?

[Answer] This question is worth our attention. The changes in Poland and Hungary aside, less than two and a half months had elapsed from the start of the East German exodus to the dismissal of Honecker—East Germany's Deng Xiaoping. Jakes, the Czechoslovak general party secretary, also announced his resignation within three weeks of the mass movement. In Bulgaria, the mass movement had barely been going on for two weeks before State Chairman Zhivkov (Communist Party general secretary) was removed from office. Most special of all was the case of Romania. When Qiao Shi attended the National Congress of the Romanian Communist Party, Deng Xiaoping's closest comrade-in-arms Ceausescu boasted to him: "Romania is a big socialist steamer that will never sink." However, this big steamer was sunk within one week of its impact with the masses. What a big irony.

The shortening of the cycle of changes in Eastern Europe eloquently demonstrates that the communist world has crumbled beyond rescue. Deng Xiaoping's wish to save "socialism" is but a pipe dream.

[Chien Fu-Chih] The world has entered an age of information. What effect this will have on the revolution in Eastern Europe and the movement for democracy on the mainland?

[Answer] We are now in an age of information. This fact was noted by Deng Xiaoping in his meeting with the general secretary of the Laos People's Party. However, he did not truly comprehend the immense role that the age of information will play in revolution.

Information played a decisive role in the series of changes that took place in the East European countries. Information also played an important role in the vigorous development of the democracy movement in China in 1989. It was under the deception of the Chinese Communists that the army massacred the residents of Beijing on 4 June. However, the truth about what happened on 4 June has now spread throughout the length and breadth of the country. Recently, I visited

friends in a number of coastal provinces. On the way I spoke to the people about their views on "4 June." To my delight I discovered that the movement for democracy in April and May not only erupted in big cities like Beijing and Shanghai, but that the people in many medium-sized and small cities had also risen to demonstrate and rebel. While in Ningbo, Xiamen, and Shantou, I met with many young people and had a deep feeling that they all had adequate knowledge about the Communist Party. They all opposed one-party rule and demanded the practice of a multiparty system. At first I thought that issues such as this would be discussed only among intellectuals and cadres. However, I discovered that many young people in the rural areas were also discussing this question. Should an upsurge of the movement for democracy occur now, the people will not wait until the Communist Party flaunts its butcher knife. We all know that he who strikes first gains the upperhand.

In this age of information, even the Army cannot be deluded indefinitely. After all, the Army comes from the people, and the sentiments of the people are bound to affect the Army. As far as I know, during the period when Beijing was under martial law, the martial law enforcement troops were relieved regularly for fear that they would be infected by the masses. If someone is to lead a rebellion today, there is nothing that says that the Army will not respond immediately. In those yesteryears, the tanks and machine guns of the Kuomintang were much

more powerful than those of the Communist Party, but they had lost faith in themselves. They were defeated by themselves, not by the "8th Route Army" of the Communist Party. Today, the troops of the Communist Party are treading the beaten track of the Kuomintang army.

[Chien Fu-Chih] When do you think will China's movement for democracy be rekindled?

[Answer] I believe China's movement for democracy will resume activities very soon. The Communist Parties in Eastern Europe seized power three or four years earlier than did the Chinese Communists. Today the communist regimes of Eastern Europe are crumbling, but it looks like we will not have to wait three or four years to see the same fate befall the Chinese Communist regime. This is so because, in the minds of the Chinese people, the Communist Party died a long time ago. It will only take a match to start a big fire. Some people say it will take this or that number of years, but as I see it, it will not take that long.

Some 40 years ago, the Communist Party denounced the Kuomintang for conducting "political tutelage" and not bringing about democracy. Why is it that after all these years, conditions for the realization of democracy are still absent? Can it be that history is moving backward? If this is the case, do the Chinese Communists still have the countenance to keep their foothold on the mainland?

NATIONAL AFFAIRS, POLICY

Economist Points Way for Improving Economic Results

90OH0303B Beijing LIAOWANG [OUTLOOK] in Chinese No 2, 8 Jan 90 pp 31-33

[Article by Fang Lixin (2455 4539 2450): "Improve Economic Results by All Ways and Means—Interview With Economist Zhou Shulian"]

[Text] Low economic results are a prominent problem existing in China's economic development. Improvement and rectification and continuing reform must, in the final analysis, raise economic results. In China, with its insufficient natural resources and large population, this is the key to achieving an economic takeoff. Professor Zhou Shulian [6650 0647 5571], director of the Industrial Economics Institute, Chinese Academy of Sciences, for a long time has made a point of studying the question of results. Not long ago I asked him to give his views on some questions related to economic results.

[Reporter] In light of the present situation in which China's economic results are fairly poor, the Fifth Plenary Session of the 13th CPC Central Committee said that we must unremittingly shift the central task of economic work to raising economic results, and by all ways and means improve economic results. How do you regard the current situation in China's economic results?

[Zhou Shulian] I think we should squarely face the current situation in which economic results are poor. Some comrades equate economic results with the output value growth rate, particularly the industrial output value growth rate, believing a fast growth in output value means that economic results are good. Up to 1988, some people still thought that China's economic results were good, and they argued in favor of certain phenomena that made it difficult to deny that the results were good. This is a question of research methods. Economic results refers to the relationship between input and output. Although economic results and output value growth rate are related, they are in different categories and certainly cannot be equated. If we equate these different categories, it will often be difficult to avoid making incorrect judgments and not seeing clearly, or even concealing, the serious current situation of poor economic results.

Speaking specifically, since reform began in China, for a period of time economic results improved, but later the situation took a turn for the worse. Looking at a lot of data, after 1985 some important economic indicators fell. According to statistics, from 1978 to 1984 the output growth rate of state-owned independent-accounting industrial enterprises was 8.4 percent, the essential input growth rate was 6.1 percent, and the proportion of essential productivity in the output growth rate was 27.4 percent. From 1985 to 1987 the output growth rate was 5.6 percent, the essential input growth rate was 9.8 percent, the essential productivity growth rate was -4.2 percent, and the proportion of the essential

productivity growth rate in the output growth rate was -75 percent. According State Statistical Bureau data, from 1984 to 1988 by year the profit tax rates on the funds of state-owned independent-accounting industrial enterprises were respectively 24.2, 23.8, 20.7, 20.3, and 20.63 percent; the output value profit tax rates were respectively 23.2, 23.6, 22.3, 22.6, and 17.84 percent; and the comparable production cost reduction rates were respectively -2, -7.7, -7.3, -7, and -15.59 percent. Obviously, these economic indicators dropped.

Poor economic results are manifested in enterprise losses. From 1984 to 1987 the number of losing enterprises among the independent-accounting industrial enterprises in China were by year respectively 41,293, 40,383, 55,537, and 60,085; the range of their losses was respectively 10.7, 10.8, 13.1, and 14.1 percent; and the amount of their losses was respectively 3.424 billion, 4.052 billion, 7.242 billion, and 3.468 billion yuan. According to 1988 estimates the amount of losses increased 38.1 percent, or 11.6 billion yuan, over 1987. The above figures do not include losses taken by profit-making enterprises. According to an 1986 representative survey of enterprises in some areas, a considerable number of profitable enterprises had products on which they took losses, and the amount of the losses exceeded the amount of the losses taken by losing enterprises by 33 percent.

There is also a tendency in China's production departments for the proportion of material consumption in the gross output value to increase. Totalling the figures for material production departments, we find that for the Fifth 5-Year Plan period and the Sixth 5-Year Plan period, and for 1986, 1987, and 1988, the proportions of material consumption in the gross output value were respectively 56.1, 57.3, 58.6, 59.4, and 60.6 percent, and among them the proportions for industrial departments were respectively 65.4, 66.9, 68.1, 69.1, and 70.2 percent. These numerical indices show that the situation in China's economic results is a cause for anxiety.

[Reporter] What is gratifying is that the entire party and the entire country are now taking seriously the problem of improving economic results, and this is a choice made in facing the current economic difficulties and contradictions. Shifting the central task of economic work to raising economic results is a major change in China's thinking about economic development. How do you regard the significance of this change?

[Zhou Shulian] In fact, we pointed out early on that the improvement of economic results should be made the center in economic construction. The 12th CPC Congress put forward the goal of quadrupling within this century and under the premise of constantly improving economic results. Therefore, it cannot be said that we did not understand completely the importance of improving them. However, in the actual work of economic construction, and even in propaganda work and theoretical research work, we did not do very well in (at

least did not accomplish) putting the problem of economic results in the central position, and we lacked a proper understanding of the significance of improving economic results. For example, in the relationship between speed and results, we often attached importance to speed and neglected results; in the relationship between reform and results, we sometimes made reform in itself the objective and reformed for the sake of reforming.

The improvement of economic results is an extremely pressing necessity. First of all, improving economic results is of important significance for overcoming the temporary difficulties faced by the economy. No matter whether it is to lower the rate of inflation and achieve a balance in financial revenue and expenditure, or to maintain an appropriate growth rate and readjust the industrial structure as well as continuing reform, we must work hard to improve economic results. Precisely because this is the case, the Fifth Plenary Session will make improving economic results one of four key links in improvement and rectification. Next, improving economic results is the key to achieving a quadrupling by the end of this century. Quadrupling is not only the quadrupling of the gross output value of industry and agriculture, but more important is the quadrupling of gross national product and national income. It is estimated that by the end of this century the quadrupling of the gross output value of industry and agriculture will be easy to achieve, but quadrupling the gross national product and national income will depend on the improvement of economic results. Because only with the improvement of economic results can the synchronous growth of the total output value of industry and agriculture, the national gross output value, and the national income be achieved; otherwise, even if the goal of quadrupling the gross output value of industry and agriculture is achieved, it will be difficult to insure the quadrupling of the entire national economy.

[Reporter] To find the source of poor economic results and find a way to improve economic results, we must clarify what factors determine whether economic results are good or bad. In this way, we can suit the remedy to the case, and achieve a cure. What are the main factors affecting economic results?

[Zhou Shulian] When analyzing the factors that affect economic results, we should see that why China's economic results are low and why economic results in the past several years have fallen are two completely different questions. People often say that the irrational industrial structure, major dislocations in proportion, low technological level, and backward management are the main reasons for poor economic results. This is doubtlessly correct. However, these reasons cannot explain, or not fully explain, why economic results have fallen. Poor economic results mean the situation in economic results at a given point of time, and a fall in economic results means the situation of a dynamic change in economic results. If a country with poor economic results at a given point in time or in a given

period of time, improves the factors affecting economic results, then later at another given point in time or in another given period of time, the economic results will improve, even if, in comparison with other countries, the economic results are still poor. Economic results often fall because some main factors that affect economic results are not improved, and tend to worsen, for example, the industrial structure becomes more irrational, the proportional relations become more unbalanced, the technological level and the management level fall, and so forth.

When analyzing the dynamic changes in economic results, we should clearly distinguish objective factors and subjective factors. I call the natural conditions, the situation in productivity, the industrial situation, the economic system, and the management level the objective factors; I call the strategy for economic development, the guiding ideology, the principles and policies, and the people's initiative and enthusiasm the subjective factors. There are two possibilities for changes in objective factors and subjective factors: one is to cause a rise in economic results, and the other is to cause a fall in economic results. What needs to be pointed out is that, compared with objective factors, the effect of subjective factors is, in my view, more important, because an objective factor not only changes slowly, but also its direction and speed of change are often determined by subjective factors. In recent years, the decline in economic results in China is mainly due to a guiding ideology that is overanxious for quick results during economic development and economic reform, thereby causing economic overheating, an imbalance in proportion, chaos in the economic order, and a fall in the management level. Under these circumstances, a fall in economic results is inevitable. Therefore, the changes in economic results, no doubt, are the result of many kinds of subjective and objective factors and common effects, but among them subjective factors, especially the strategic guiding ideology, play a particularly important role.

Looking at these main factors and their effects, I think that in the future there will be two possibilities in the trends of China's economic results: one possibility is a trend to rise, and the other possibility is a trend to fall. Major grounds for the first possibility are: 1) after 10 years of reform, the vigor of enterprises has been strengthened and the role of market mechanisms has been increased; 2) the scientific and technological level and management level of many enterprises have risen; 3) it is now more clear that, in the policy for long-term sustained, stable, and coordinated development of the economy, the idea of being overanxious for quick results will be overcome and the relationship between speed and results can be handled well; 4) improvement and rectification and continuing reform will also promote the improvement of economic results; and 5) there is a great potential in enterprises and in the entire national economy for improving economic results, and, provided subjective efforts are made, economic results will gradually and constantly improve. The main grounds for the

latter possibility are: 1) the present industrial structure is irrational, and the main proportionate relationships are seriously imbalanced; 2) enterprises face many difficulties, and sound mechanisms that promote the constant improvement of economic results have not been set up; 3) in many enterprises the technological level and management level are low; 4) an austerity policy is being practiced in the period of improvement and rectification, which makes improving economic results difficult; and 5) the foundation of the traditional guiding ideology in which there is an overanxiousness for quick results for a time will be difficult to overcome completely. Because of the effect of various factors, these two possibilities exist, and the growth and decline of their contradictions will determine whether there will be a true improvement in China's economic results.

[Reporter] Since these two possibilities exist, it looks as if we cannot be optimistic. Then, with regard to how to achieve the possibility of improving economic results, is there a possibility of checking the fall in economic results?

[Zhou Shulian] To improve economic results we must display the effect of advantageous factors and overcome the influence of disadvantageous factors. Herein the key lies in subjective effort; it lies in finding correct measures and then resolutely implementing them. The "Decision of the CPC Central Committee on Future Improvement and Rectification and on the Deepening of Reform" put forward a series of correct measures for overcoming difficulties and achieving a healthy development of the national economy, and also basic measures for improving economic results. To practically improve economic results we must resolutely and thoroughly carry out all measures in the decision, and do work in the following aspects:

First, correctly handle the relationship between speed and results. A suitable growth rate is the premise and condition for good economic results. Too low a rate is detrimental to the improvement of economic results, and too high a rate is also detrimental to the improvement of economic results. Since the founding of the PRC, our blind pursuit of an excessively high rate has caused a series of consequences: an imbalance in proportion between industry on the one hand and transportation, shipping, and other basic facilities on the other; mutual extrusion within industry, or heavy industry squeezing out light industry, or processing industries squeezing out raw materials industries and excavating industries, and also a proportionate imbalance within industry; total demand exceeding total supply, and the appearance of the phenomena of overdistribution of national income and of the mutual extrusion of accumulation and consumption; enterprises being busy with output value indices, no attention paid to enterprise management, and relevant government departments also blindly pursuing speed and neglecting macroeconomic results; and after the speed becomes too fast a readjustment is forced, a "big rise" often bringing about a "big

fali." The concentrated manifestation of these consequences is a fall in economic results. Drawing on the important experiences and lessons in China's economic construction in the past 40 years, in the future we must handle well the relationship between speed and results, and from first to last uphold the correct principle of long-term sustained, stable, and coordinated development of the economy.

Second, correctly handle the relationship between improvement and rectification and the deepening of reform. The economic difficulties we face are principally manifested in the serious inflation. Society's total demand far exceeds society's total supply. The proportional relationship between industry and agriculture is also seriously imbalanced. The proportional relationship between basic industries and basic construction on the one hand and processing industries on the other is in serious imbalance, and the economic order is in chaos. To overcome these difficulties, which have been accumulating for many years, we must resolutely carry out improvement and rectification. The main goals of improvement and rectification are to gradually lower the rate of inflation and to reverse the situation in which currency is extra-economically issued. The achievement of these goals obviously will also be advantageous for the improvement of economic results, and also the improvement of economic results in itself is one of the goals of improvement and rectification. Some people put improvement and rectification and the deepening of reform in opposition to each other, thinking that improvement and rectification means "not making reforms" and "restoring the old system." This is completely mistaken. Improvement and rectification and the deepening of reform are not ends in themselves. Their purpose is to achieve the long-term sustained, stable, and coordinated development of the economy. In the period in which forces are concentrated to carry out improvement and rectification, the coordination of reforms is also needed. There is now the necessity and also the possibility of deepening and perfecting reform in the enterprise contract management system, the financial task responsibility system, the banking system, the foreign trade contract system, the materials management system, as well as in macroeconomic regulation and control. This way of handling well the relationship between improvement and rectification and the deepening of reform will enable the situation in which there is a fall in economic results to reverse as quickly as possible and cause a rise.

Third, accelerate the pace of scientific and technological progress. Following the development of productive forces in society, science and technology came to occupy a more important position in economic development and social progress. Depending on science and technology can save labor time, effectively make use of production equipment, improve the utilization efficiency of energy and raw materials, and improve the quality of products. We must select scientific and technological results in which there is less input and more

result, concentrate technological forces and scientific research funds, vigorously popularize, and widely raise the production technology level of enterprises. In line with the demands of the state's industrial policy, we must select a number of traditional industry, technological transformation projects that will have a major effect on economic development; select import projects for technological digestion and absorption; have high-tech products, export items, and import-substitute item projects; and organize large- and medium-sized enterprises and scientific research organizations to tackle key technical problems; and as fast as possible form productive forces. We must take seriously the technological transformation of existing enterprises. It must be guaranteed that the fund for technological transformation is truly used for technological transformation, improvement of product quality, saving on materials consumption, and promotion of product renewal and replacement. We must accelerate the transformation of imported equipment into "made in China" equipment and the development of high tech industries. We must also develop and perfect scientific and technological markets, and promote the process of turning science and technology into productive forces.

Fourth, enhance and improve enterprise management. To improve economic results we must handle well the relationship between the economic results of the enterprises and the economic results of the entire national economy. However, if the economic results of the enterprises are poor, the economic results of the entire national economy are bound to be poor. Therefore, the improvement of the economic results of the enterprises is the basis for improving the economic results of the entire national economy, and to improve the economic results of the enterprises, besides demanding that the enterprise technological level be raised, we must demand that the enterprise administration and management levels be raised. At present there are many problems in enterprise administration and management, the phenomena of chaotic management and lax discipline are widespread. Some comrades have the idea that reform automatically raises the management level, and in many enterprises there exist the phenomena of "substitute reform for management" and "substitute contracts for management." In fact, although reform can provide advantageous conditions and powerful motive power for improving management, it certainly cannot replace management and will not automatically raise the level of management. To raise the management level, we must integrate the deepening of reform with the enhancement of management. We must work hard to overcome the phenomena of "substituting reform for management" and substituting contracts for management, "being greatly determined and expending great effort to strengthen and improve the enterprises' labor management, materials management, funds management, cost management, quality management, as well as all basic work"; strictly enforcing technological regulations and labor discipline, and in a down-to-earth manner launching the movement to effect "double increases and

double savings" and the work of reversing losses and increasing profits. We also must insist on putting into practice and perfecting the factory director responsibility system, making the democratic system sound, enhancing ideological and political work, deepening reform in enterprises, and fully displaying the initiative, enthusiasm, and creativity of the great number of staff and workers. In this way, we can truly achieve an increase of output through savings, get results in administration and management, and fully display the potential of enterprises.

If we do well the work in the above several aspects, I believe that economic results will certainly improve gradually and that the plan put forward by the party Central Committee for the long-term sustained, stable, and coordinated development of the national economy will be achieved.

Promotion of Appropriate Expansion of Consumption Advocated

90OH0389A Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 30 Jan 90 p 4

[Article by Pu Wenchang (3184 2429 2490): "We Must Promote Appropriate Consumption as We Control Inflation"]

[Text] After a year of retrenchment, industrial and consumption overheating has been checked, yet markets have slid into a slump. While everyone agrees that the slump was to be expected, opinions vary as to how to approach the problem. One view argues that the slump is quite normal; only this way can we promote economic restructuring. Another view argues that macroeconomic control has gone too far and must be relaxed a bit. I believe that both views, though not without merit, miss the mark.

We must not allow the slump to shake our resolve to effect macroeconomic control, nor should we treat the problem lightly. In contrast to Western countries, which rely primarily on the market mechanism to overcome crises, China mainly employs planned economy, principally administrative measures. Under these circumstances, slight aberration in our restructuring measures is liable to lead to error.

Thus, during retrenchment, we must pay close attention to the effects of our retrenchment measures and responsive adjust the intensity and direction thereof so as to avoid new errors. I believe that, in dealing with the slump, we must maintain macroeconomic control to restrain inflation and promote restructuring; at the same time, promote, while keeping consumption from overheating, appropriate personal consumption by adjusting the intensity of macroeconomic control, so as to preserve some market vitality and ensure appropriate economic growth.

How To Approach and Handle the Problem of Consumption During Retrenchment

Why must we promote appropriate consumption as we work to strengthen macroeconomic control and to keep consumption from overheating?

First, from the perspective of ensuring appropriate growth in production and preventing stagnation, a prolonged slump will inhibit that growth. "Triangular debt" among enterprises, a problem that is growing ever more serious, essentially is an outgrowth of the slump and of the inability of commodities to fetch their true value. Under these conditions, the effort to overcome the problem of "triangular debt" with "jump-starts" powered through increased credit in reality will not work.

Second, from the perspective of the effort to restrain inflation, we must, as routine measures, strictly control the money supply and use high interest rates to soak up excess liquidity in order to keep the economy and consumption from overheating. In this effort, however, we must properly handle the dialectical relationship between using credit and using sales of commodities to soak up liquidity. After many years of excessively high distribution of national income and constrained by the limits of aggregate social supply, we naturally cannot place too much hope in commodity sales, for potential purchasing power greatly exceeds effective social supply. Nevertheless, stressing the use of credit to soak up, through increased interest rates on savings deposits, the excessive amounts of money issued over the past several years to restrain inflation involves tremendous sacrifice and risk. To compensate for the inadequacy of this approach, we must, on the one hand, adopt a variety of measures and strive to increase effective supply while retrenching; on the other hand, we must adopt a variety of measures to promote appropriate consumption and strive to soak up money through commodity sales in order to enhance our ability to absorb the excessive amounts of money issued in the past several years.

Third, economic restructuring also requires appropriate growth in consumption. In effecting both short-term, adaptive adjustment and long-term, strategic restructuring, we must follow the dictates of the marketplace. But if consumer good markets undergo a prolonged slump across the nation it will be very difficult to determine those dictates, and thus enterprises will lack a reliable basis on which to effect short-term product-line readjustment, and accurate forecasting [needed] for strategic restructuring certainly will be undermined. Thus our approach to the slump definitely must note its dual impact: On the one hand it subjects enterprises to tremendous pressure and forces them to readjust product lines to simultaneously improve product quality and cut waste; on the other hand, the slump might create yet another impediment to economic restructuring. To resolve the latter problem, we must promote appropriate consumption to preserve some market vitality, thereby ensuring that the market mechanism can play its role in guiding product-line and economic restructuring.

Under Current Economic Conditions, How Can We Promote Appropriate Consumption?

Briefly, appropriate consumption means consumption growth sustainable by social supply, plus social consumption. The determinants of what is appropriate are as follows.

1. Current growth in social supply plus absolute social supply.
2. National income plus growth in social labor productivity.
3. The requirements connected with control of the rate and range of inflation during retrenchment.

So long as consumption does not exceed these limits, it will not destabilize the economy.

Given our current economic situation, we may adopt the following measures to promote appropriate consumption and thus market vitality.

First, we must responsively apply economic levers and administrative measures.

1. We should broaden the spread between interest rates on savings deposits of three years or more and of deposits of less than three years; may retain the existing rates for value-preservation deposits but must lower the rates for short-term deposits; must draw up policies to limit the high rates offered by localities and enterprises to raise capital; and must use this [all of the above approaches] to keep money-releasing consumption from bouncing in and out of savings.

2. We must differentiate consumption by social groups and by individuals, strictly control the former, but encourage reasonable personal consumption.

3. Although we must strictly control growth in consumption funds so that it does not exceed that of national income, we must also stress that during retrenchment there must be some growth in these funds, especially wages and bonuses, so that there is some growth in purchasing power.

Second, in the microeconomic realm we must adopt the following measures.

1. All industrial enterprises must strive to improve product quality and after-sales service so as to attract consumers.
2. All commercial and distribution departments and enterprises must adopt a variety of effective measures to expand sales and, especially important, expand rural markets while guiding and promoting consumption.
3. Society must broaden consumption and pay special attention to the expansion of noncommodity consumption, such as tourism, services, and consulting. In tourism, besides striving to promote domestic travel, we

might also develop foreign-exchange and nonforeign-exchange settled travel with other countries so as to promote consumption.

Causes of Wide Swings in Economic Growth Examined

90OH0389B Beijing JINGJI CANKAO in Chinese
30 Jan 90 p 4

[Article by Gu Haibing (7357 3189 0365): "The Causal Mechanism Behind the Rigidity in China's Economic Growth"]

[Text] When we survey the changes that have occurred in China's macroeconomic growth rate, we see that there has been an extremely wide gap between the highs and lows and that growth rate has often been high. For example, the highest growth recorded in gross social output value [GSOV] was 32.6 percent (1958) and the lowest, a negative 33.5 percent (1961), for a gap of nearly 70 percentage points, and the highest growths posted for national income were 22 percent (1958) and 23.3 percent (1970) and the lowest, a negative 29.7 percent (1961), a gap of more than 50 points. Between 1953 and 1988, GSOV registered double-digit growth in 20 years, and growth in national income topped eight percent 10 times, the former showed moderate growth (eight to nine percent) only four times, and national income (six to seven percent), also only four times.¹ Clearly, the high growth and continuous overheating of China's macroeconomy is interrelated with the precipitous plunges thereof. This bizarre fluctuation generally is termed growth rigidity, which means that the macroeconomy is impulsively high-growth, always is strained and faces shortages, and exhibits high-growth inertia, and that whenever such growth becomes unsustainable, the bottom falls out, causing the macroeconomy to contract uncontrollably and excessively. Growth change is jolting and inflexible.

Since, GSOV data, of published statistics, are more precise than those on national income, and the changes in both are about the same, the following analysis will rely principally on the former (GSOV data).

1. The primary contributor to growth rigidity is industrial growth.

Industry and agriculture account for approximately 80 percent of China's GSOV, with agriculture's share steadily declining from 45 percent in 1952 to the current 20 percent; industry's share steadily rose from 35 percent in 1952 to 60 percent today. Thus the rigidity of China's economic growth should show up primarily in the growths of these major sectors.

The data presented in TONGJI NIANJIAN reveal the following: (1) Whenever China's economy shows declining or negative growth, industrial growth registers even sharper declines, 10-70 percent lower than GSOV; sharp declines in industry fuel the big drops in GSOV. By contrast, agricultural growth serves to mitigate GSOV

deceleration, exceeding GSOV growth by 10 percent or more, even showing positive growth when the latter suffers negative growth (1962 and 1967). (2) Whenever economic growth is high, industrial growth is even higher, exceeding the GSOV rate by 30-100 percent; rapid growth in industry spurs rapid GSOV growth. By contrast, agriculture serves as a brake on rapid GSOV growth, registering rates 60 percent or less than the latter, even showing negative growth when the latter posts rapid growth (1959 and 1977). From this, we conclude that industrial growth is the primary contributor to the rigidity in China's economic growth and that that rigidity is unrelated to and to a certain degree is mitigated by agriculture.

2. The secondary contributor to growth rigidity is growth in heavy industry.

Chinese heavy industry, namely, the sector that produces the means of production, accounted for a little more than one-third of the output value of all of industry during the 1950's and today produces a little more than one-half the total—about 30 percent of GSOV.

Statistics reveal the following: (1) When industry shows declining or negative growth, heavy industry registers even sharper declines, with growth rates 20 percent or lower than those of industry generally; sharp declines in heavy industry accelerate industrial growth plunges. By contrast, light industry shows smaller growth drops when industry slows, with rates 80 percent or higher than those for industry overall, and serves as a brake on industrial deceleration. (2) Except for the past several years, whenever industrial growth has accelerated, heavy industry has grown even faster, by 20 percent or more. Thus heavy industry drives rapid growth in industry. By contrast, except for the past several years, light industry has served as a brake on rapid industrial growth, generally registering growth that is 10 percent or lower than the latter. (3) The primary contribution of heavy industry to industrial growth rigidity—in other words, the secondary contribution of heavy industry to economic growth rigidity—is more pronounced during periods of declining growth than during rises. Over the past several years, policy, especially the preference accorded to the development of light industry, has reduced the contribution of heavy industry to industrial and economic growth rigidity.

3. The tertiary contributor to growth rigidity is growth in heavy processing industry.

Heavy industry is composed of extractive, raw material, and heavy processing industry [HPI]. Over the past several decades, extractive industry has accounted for approximately 12 percent of heavy industrial output value; raw material industry, about 40 percent; and HPI one-half or so. Thus, conditions in HPI have a decisive effect on overall heavy industry, and the great fluctuation in heavy industry has been fueled by HPI (manufacturing), which is a direct contributor to growth rigidity in heavy industry, a secondary contributor to

growth rigidity in industry, and a tertiary contributor to growth rigidity in the overall economy.

Statistics reveal the following. (1) When heavy industrial growth slows, HPI usually shows even lower growth. Thus slow or negative growth in heavy industry stems primarily from HPI. (2) High growth in heavy industry is spurred entirely by super-high HPI growth. (3) The contribution of HPI to growth rigidity in heavy industry is greater during periods of high growth than during those of low (negative) growth. (4) Extractive and raw material industries show no consistent effect whatsoever on growth rigidity in, sometimes move in the opposite direction of, and thus by and large do not contribute to growth rigidity in heavy industry. Extractive industry moderates growth rigidity in heavy industry.

Footnote

1: For these data, see ZHONGGUO TONGJI NIANJIAN 1989 [1989 Statistical Yearbook of China]

Increasing Construction Investment To Stabilize Growth

90OH0471A Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 6 Feb 90 p 4

[Article by Xiao Jing (2556 4552): "Investment in Key Construction Projects Should Be Increased Appropriately To Stabilize Economic Growth"]

[Text] Although major successes have been achieved in over a year of hard work to improve the economic environment and rectify the economic order, inflation has clearly decreased, agricultural output has increased, and the imbalance between supply and demand has begun to ease, certain new issues, such as a too sharp drop in the industrial growth rate, overstocking of products, and more enterprise production stoppages and unemployment, have also arisen. We are faced with the vital task of analyzing the causes of these issues and studying ways to resolve them, while persisting in improving the economic environment and rectifying the economic order.

I. Too Slow an Increase in Effective Demand Was the Major Cause of the Drop in the 1989 Industrial Growth Rate

There Was Less Actual Investment and Consumer Demand in 1989 Than in 1988

The PRC's macroeconomic policy of controlling demand achieved obvious successes in 1989, when the actual growth of effective investment and consumer demand slowed, even to the point of decreasing. In the first 11 months of 1989, the investment in state-owned fixed assets dropped 10.8 percent over the same period in 1988, or actually over 20 percent when price increases are figured in, retail sales of social commodities increased 9.8 percent, or actually dropped 8.5 percent when price increases are figured in, and customs statistics showed that net exports (exports minus imports)

were \$6.6 billion, or \$2.8 billion less than in 1988. Summing up this data, it is estimated that there was actually less effective demand, after figuring in price increases, in 1989 than in 1988.

All of the 1989 Increased Output of Manufactured Goods Is Stocked in Warehouses

A survey of 40,000 state-owned industrial enterprises, that was conducted by the Industrial and Commercial Bank of China (ICBOC), found that in the first 11 months of 1989, their GVIO [Gross Value of Industrial Output] increased 4.9 percent, or 23.1 billion yuan, over the same period in 1988, while they had 66.6 percent, or 34.2 billion yuan more money tied up in finished products. Adding this to the increased stocks of commercial and materials departments shows that all of the 1989 increased output of manufactured goods is actually stocked in warehouses and not being used.

Most of the 1989 Increased Industrial Circulating Fund Loans Are Tied Up in Stocks of Finished Products

Overstocking in warehouses by enterprises is bound to tie up circulating funds. As the worst circulating fund shortages occurred in the first 3 quarters of 1989, the above survey by the ICBOC of 40,000 enterprises found that although their circulating fund loans had increased 27.3 billion yuan by the end of September over the beginning of the year, the 34.2-billion-yuan increase in funds tied up in finished product stocks in the same period had not only completely eaten up their increased circulating fund loans, but had even put the squeeze on their original circulating funds. Enterprise fund shortages were not caused simply by more overall control, but were due mostly to funds being tied up irrationally by overstocking of goods in warehouses.

In short, since consumption and investment were actually lower in 1989 than in 1988, and there was not an increased demand for manufactured goods, industrial output growth was maintained by increasing stocks, which left enterprises with heavier burdens and much sharper circulating fund shortages and made it hard for them to sustain their production growth. This was the major cause of the drop in the 1989 industrial growth rate.

Since the drop in the industrial growth rate was caused by too slow an increase in demand, even though the steps we took to increase production and supplies (such as granting more circulating fund loans to industrial enterprises, strengthening control over production management, and guaranteeing the production requirements of large key enterprises) they were able to temporarily speed up the recovery of production, but they could not basically resolve the issue. The state greatly increased circulating fund loans to enterprises in October and November 1989 in order to speed up the recovery of industry. Although it granted 15.8 billion more in circulating fund loans to the above-mentioned 40,000 enterprises, the 9.5-billion-yuan increase in funds tied up in finished product stocks ate up most of the extra loans,

and their reserve funds for 1990's production plans increased only 300 million yuan, which caused more increased output, overstocking, and tying up of funds. This kind of production growth, that depends on greatly increased stocks of goods in warehouses and extra support from circulating fund loans, cannot be maintained for long, and the drop in the industrial growth rate, that was caused by a too slow increase in demand, can only be basically resolved by an appropriate increase in demand.

II. The Emphasis on Improving the Economic Environment and Rectifying the Economic Order Must Be Changed

Rational Limits Must Be Set on Reducing Investment and Consumer Demand

Although reducing overall public demand is a vital task that must be carried out firmly to improve the economic environment and rectify the economic order, rational limits on the cutbacks must also be studied conscientiously. There is still no consensus of opinion in theoretical circles on these quantitative limits. From the angle of actual economic operations, the price rigidity and state price modification in China's existing economic system means that even though improving the economic environment and rectifying the economic order reduced overall public demand too much, it was still unable to reduce overall prices. On the contrary, prices are increasing year by year, making it hard for enterprises to "reduce prices to maintain output," leaving them able only to "limit output to maintain prices," and causing production to drop. Thus, the extent to which demand is reduced has a direct impact on the production growth rate. If the production growth rate is set a little too low or even allowed to decrease during the process of improving the economic environment and rectifying the economic order, investment and consumer demand should be reduced a little more. Whereas, if an appropriate production growth rate must be maintained, investment and consumer demand must be increased a corresponding percentage over the preceding year, and unavoidable price increases must be considered, demand should be suitably increased a little more.

Overall Demand Must Be Kept at a Moderate Rate of Growth, and Restructuring Must Be Speeded Up

While swelling investment and consumer demand caused industrial production to grow too quickly for several years previously, the slower increase in demand in 1989 caused the industrial growth rate to drop, which shows the tremendous impact of demand in guiding production. Achieving a stable annual growth of industrial production means that annual consumer and investment demand must also be kept at a moderate rate of growth. Although investment was reduced 40 billion yuan in 1989, the increased prices of capital goods made the actual cutback even greater and, although consumption seemingly increased, higher prices meant that it

actually decreased. As reducing consumption and investment made industrial production drop and caused overstocking, only initial successes were achieved by reducing overall public demand. The future emphasis in improving the economic environment and rectifying the economic order should be gradually changed from reducing overall public demand to keeping it at a moderate rate of growth and speeding up restructuring. This will sustain a stable growth of industrial production now, while making the necessary material plans for long-range economic development.

III. Investment in Key Construction Projects Must Be Appropriately Increased To Stabilize Economic Growth

In addition to increasing exports and decreasing imports as much as possible to appropriately increase demand, we are going to appropriately increase domestic investment demand by investing more in key construction projects and upgrading technology, while continuing to control extra-budgetary investments.

Heavy Industry Is Likely To Experience More Glaring Production Conflicts Than Light Industry in 1990

Although investment demand was reduced more than consumer demand in 1989, statistics show that heavy industry grew 1.3 percent faster than light industry mainly because the three-percent higher growth of light industry in 1988 had left 1989's heavy industrial base too low, and the state had supported large and medium-sized key enterprises, which are concentrated mostly in heavy industry, with more money, power, and raw materials. But at the same time, heavy industry was experiencing a particularly glaring problem of overstocking. Since the state is going to continue to control the growth of investment in fixed assets and capital goods prices are likely to increase, it is predicted that the demand for heavy industrial goods will be lower in 1990 than in 1989. Many heavy industrial enterprises that serve key national construction projects are getting far too few orders for their goods. For instance, the 13 large key enterprises in the machine tool industry throughout China got orders in 1990 from both China and abroad for only 264 million yuan of goods, or one-fourth of their production capacity. Some of them have received only a few or several dozen orders, which will not keep them busy for even one month, while having current stocks of finished products worth 217 million yuan. Certain large key enterprises on the state dual guarantee list are also worried because although the state has guaranteed them supplies of money, power, and raw materials, it has not taken the corresponding steps to increase demand, which is leaving them unable to get enough orders to carry on normal production in 1990.

The situation in light industrial production is likely to be relatively better in 1990 for the following reasons: 1) consumption will increase generally because incomes are likely to continue to increase; 2) the major causes of 1989's market slump, such as panic buying and to high price subsidies in 1988, will gradually fade away; 3)

production enterprises will restructure their product mix faster, and commercial enterprises will buy more to promote sales. All of these factors will gradually normalize consumer markets and speed up light industrial growth.

Restructuring of Industry and Product Mix Must Be Supported To Enhance Economic Growth Stamina

Restructuring of industry and product mix are vital tasks in improving the economic environment and rectifying the economic order. Even if capital reserves are used, a certain amount of extra money will still have to be invested in restructuring. The current inadequate investment means that even though many projects that are in line with national industrial policies may be seeing short-term results, it is impossible to plan technological upgrading and capital construction projects to enhance economic growth stamina. In addition, the consecutive years of price increases and investment depreciation have had a negative impact on projects that are underway and have made it difficult for them to restructure. A dilemma that needs to be studied conscientiously is that, on one hand, the critically inadequate investment in key construction projects has left certain much-needed coal, oil, and power projects unable to secure funds, and forced them to proceed slower or even stop construction while, on the other hand, the large- and medium-sized enterprises that serve key construction projects are not getting enough orders, their factories have stopped production, their workers are unemployed, and much of the equipment that they have already produced is stocked in warehouses. Some of this equipment could go into operation and production if it was shipped to the construction sites and installed. This dilemma could be gradually resolved if investment was suitably increased.

Increasing Investment Demand Can Also Speed Up Light Industrial Growth

Increasing investment demand raises staff member and worker income along with speeding up heavy industrial growth, which increases consumption and speeds up light industrial growth. Whereas trying to motivate consumption directly by raising wage and bonus bases not only will speed up light industrial production only, but also may cause new consumption increases after production returns to normal.

Planning Control Must Continue To Be Enhanced To Increase Investment Efficiency

Investment must be increased to key capital construction and technological upgrading projects to improve economic efficiency and enhance economic growth stamina in line with centralized state plans and strictly according to industrial policy needs. Construction on enterprise technological upgrading and expansion projects must be speeded up according to the principles of expanding and upgrading existing production capabilities before starting new projects and completing projects that are

underway before starting new ones. Except for supporting power and transportation projects that enhance economic growth stamina, generally, no new projects should be started. A cautious approach must be taken to projects that use imported capital. Since they use much foreign equipment, this cannot speed up domestic heavy industrial production, and may add to debt repayment burdens, their number should not be allowed to increase too much. Locally-funded and extra-budgetary projects should continue to be strictly controlled and not allowed to expand, and the ministries and commissions in charge of them must strengthen their industrial control and guidance to prevent duplicate construction.

IV. Fundraising Methods

Considering the present shortage of public finances, the following fundraising methods can be used to ease the burden on central finances and increase key construction investment sources:

1. All locally-initiated key construction projects can use the method of state-planning and either local-funding or shared-funding by both the state and the locality, to attract local financial resources and use all extra-budgetary income for key construction projects.
2. Using bank loans appropriately can invigorate bank funds. Although banks have greatly increased their industrial circulating fund loans in recent months to speed up the recovery of industrial growth, most of these funds are tied up in stocked finished products and cannot be turned over normally because there has not been a corresponding increase in demand. Changing this method to making loans directly to construction projects not only can support key construction, but also can help enterprises reduce stocks, clear up overdue debts, speed up production and fund turnover, and tie up less money. Increasing loans in this way has material backing, can form new funds to replenish bank fund sources, and does not require a large increase in the amount of cash issued. For projects in areas such as coal and transportation, which have trouble repaying their loans plus interest because of irrational prices, a corresponding amount of interest can be deducted by public finance or approval can be given for banks to pay less profits to the state.

V. Money Must Continue To Be Kept Tight and Overall Demand Must Be Kept at a Moderate Rate of Growth

An issue that worries many people is whether increasing consumer and investment demand will produce new inflation. We think that new inflation will not occur as long as we persist in keeping money tight and overall demand at a planned, moderate rate of growth.

Controlling the Growth of Overall Demand

Demand must absolutely not be decontrolled in China's existing system, because it would be bound to cause chaos. Demand must certainly be included in state-planned management and control. As a review of the recent years of overheated economic growth shows that

it was caused by increased overall demand, we must conscientiously absorb this lesson and control the growth of overall demand.

Continuing To Keep Money Tight

If consumer and investment demand are kept at moderate rates of growth and capital goods and means of subsistence markets return to normal, many tied up funds may be released to speed up actual fund turnover. If credit is eased or macroeconomic control is not strict, not only special funds that were tied up when money was tight, but also some circulating funds, might end up being diverted to demand. These extra increased demands might further release funds that are tied up in finished products, increase fund turnover, spur each other on, put overall demand out of control, and cause new inflation. In order to prevent this, we should continue to keep money tight, promptly and moderately recall short-term turnover loans along with the gradual release of funds that are tied up in finished products to prevent too much actual fund turnover, and strictly control circulating fund use and extra-budgetary investment to keep demand and production at moderate rates of growth.

Article Discusses Problems in Controlling Inflation

90OH0448A Beijing JINGJI RIBAO in Chinese
9, 13 Feb 90

[Article by Wang Wei (3076 0251) et al: "Several Questions on How To Control Inflation"; passages in bold-face as published]

[9 Feb 90 p 3]

[Text] The fundamental goal of rectification and improvement is to ease the problem of excess demand and eliminate inflation step by step and put the national economy on track to follow a benign cycle. Since the implementation of the tight money policy and the general principle of rectification and improvement, we have had initial success in controlling and reducing the excess social demand, rectifying the economic order, and controlling inflation. This is indeed gratifying. But situations and problems that hamper efforts to curb inflation have also emerged, and there are disagreements on how to deal with them. We have summarized these issues and will present our ideas and viewpoints.

Is the shortage of funds the consequence of the tight money policy which makes money scarce, or is it the result of excess money supply and aggravated inflation in recent years?

The fact of the matter is, so far, ours is not a problem of an over-tightened economy. Between January and October of 1989, nationwide, bank loans have grown by 106.2 billion yuan compared to the beginning of the year, which is comparable to the rate of increase in any normal year. Out of that amount, industrial loans have

increased 39.9 billion yuan and commercial loans by 26.7 billion yuan, which represent 10.4 billion yuan increase and 8.2 billion yuan increase, respectively, over the same period in 1988, and these rates are higher than those in any other year. It should be pointed out in particular that the money supply in 1989 surged on top of 1988's uncontrolled increase. In other word, since rectification and improvement, the total money supply has not decreased, and although the increase in the overall loan volume has slowed, industrial and commercial circulating fund loans have increased faster than in previous years. The tight money policy has not reduced the money supply.

Since the tight money policy did not reduce the money supply and the rate of industrial growth was not exceptionally high in 1989, there was no "accelerated" demand for funds, but then why the money shortage? The basic reason lies in the excess money supply in previous years that triggered inflation which in turn generated an excess demand for money.

Enterprises have monetary funds and commodity funds on hand. Inflation causes monetary funds to depreciate and commodity funds (including reserve, production, and finished goods) to appreciate in value. The present accounting system converts the appreciated value of the commodities into profit. The enterprise contract management responsibility system and financial system in turn convert this kind of profit into enterprise disposable fund (a portion is turned into personal income and the rest is used on fixed assets) and government revenue. In this way, the higher the rate of inflation, the lower the value of enterprises' monetary funds and the tighter the fund supply. Estimates show price increases in Hubei Province to have eaten up 3.5 billion yuan a year, which takes up 50 percent of the increased loan funds each year.

Since inflation is the critical factor behind the shortage of funds, as long as it is not put under control, easing the money supply substantially can only exacerbate inflation, which in turn will make funds even more scarce.

Does suppressing and reducing demand to slow the rate of economic growth signify that as total demand decreases, total supply will decrease even faster, which in turn will widen the supply-demand gap?

There is a popular viewpoint which suggests that although tightening reduces demand, it also limits economic growth, which tends to reduce total supply by the same amount or even more. Thus, it is believed that tightening will only aggravate the excess demand rather than control inflation.

To correctly understand this problem, we must first understand the real nature of China's accelerated economic growth in recent years. If economic growth is achieved by higher labor productivity rate and better economic efficiency, then of course the faster we grow, the better off we will be. The present problem is that our economic growth is achieved by boosting investment.

The crux of this kind of economic growth lies in making the total demand generated by investments increase at a faster pace than total supply as indicated by the output value. Statistics show that since 1983, for the nation as a whole, it generally has taken an increase of 1.45 units of investment (fixed assets and circulation funds) to increase industrial output value by one unit. In terms of a stock of assets, it takes 1.3 units of fund to obtain one unit of industrial output value, and for each 3.2 units of fund expended, we get one unit of national income in return. It is easy to see how boosting investment widens the supply-demand gap. Moreover, because of the poor economic structure, the absence of communication between production and the market, and because goods are stockpiled as they are produced, economic growth (referring specifically to the increase in industrial output value) does not mean an increase in "effective" supply.

Based on the above analysis, it is our opinion that if we emphasize readjustment of the industrial structure and divert more of the limited funds to enterprises or products that increase and less to those that do not increase society's effective supply, then when we reduce demand and slow the rate of economic growth, we not only will not reduce total supply but will actually ease the supply-demand conflict and help stabilize the currency.

Can we substitute the withdrawal of credit for the withdrawal of commodities (including services; same below) from circulation? In the long-run, is relying solely on credit tightening or over-emphasizing its role a good way to stabilize the currency?

The most serious problem in China's economy has always been the excess demand over supply. To ease or put off the pressure of total demand on total supply, we have always made tightening credit an important part of our monetary and credit policies. Practice has proven that taking active measures to withdraw credit from circulation does play an important role in easing the supply-demand problem and controlling inflation temporarily. But in recent times, there has been a tendency to over-emphasize the significance of credit tightening. Some localities have strived to lure more depositors at all costs.

Paper money is taken out of circulation when credit as well as commodities are withdrawn, but only the withdrawal of commodities has any real meaning, because the withdrawal of commodities from circulation reflects a reduction in society's purchasing power while credit tightening only postpones it, and it actually amplifies future purchasing power rather than reduces it. This amplified, delayed purchasing power will make its way back to the market sooner or later. Therefore, tightening credit is not a substitute for taking commodities out of circulation.

In today's situation where the market is in a slump and total demand far exceeds total supply, paying an exorbitant price to take credit out of circulation will only exacerbate the problem. On the one hand, it encourages

the people to save, which reduces consumption and further weakens the already weak market and enlarges the reserve and stockpile of goods. On the other hand, paying the price now can only increase demand in the future. For example, today, there are 500 billion yuan in savings accounts in banks across the country, and each year, consumption demand is increased by around 70 billion yuan in the form of interest payment. This can only widen the supply-demand gap in the next period and further destabilize the currency.

When we pay a high price for national savings, it should at least meet one condition; that is, if we invest the funds we have amassed, they should produce a sufficiently high yield to increase society's total supply substantially within a period of time, so that total supply can keep up with the magnified, postponed total demand. The main reason Japan was able to pay a high price to absorb savings without triggering runaway inflation after World War II was their ability to convert much of their war production capacity to civilian use. Their war industry's labor productivity rate was very high and the transformation process was fairly quick, and therefore the supply of consumer goods began to soar within two to three years and was able to meet the amplified demand. But the situation is different in China today. Our labor productivity rate cannot be raised nor can total supply increase significantly anytime soon. If we multiply and postpone the total demand too much under these circumstances, it will only amplify and postpone the disastrous effects of inflation.

How should we treat the relationship between credit policy and financial policy? Can we achieve our goal to stabilize the value of the currency by combining a tight credit policy and a loose financial policy?

Inflation is caused by excess total demand, and credit expansion is the main reason for total demand to exceed total supply. Therefore, in order to stabilize the currency, we must first tighten credit and tighten the money supply. There is no doubt about this. But we should realize that the present credit expansion to a large extent is caused by the government deficit. The government has run up a deficit every year for 10 years from 1978 to 1988. The total deficit, besides direct bank overdrafts, is also made up of indirect overdrafts (such as bank purchases of government bonds and enterprise bond purchases with borrowed money.) If we add the allowances and allocations the government should have but has not yet paid out, the actual overdrawn amount will be much larger. Thus, government deficits and overdrafts are one of the main causes of credit expansion and inflation. If not for the huge overdrafts, inflation could not possibility have become so serious today.

The financial situation was still far from ideal in 1989. In the first 10 months, although the issuance of assorted bonds generated more government revenue, efforts to suppress product prices necessitated huge subsidies, which greatly increased government expenditure, and there was no reduction in the size of the deficit.

It is our opinion that although handing out huge subsidies to suppress product prices can stabilize prices for the time being, it is not a real solution to the inflation problem. Moreover, subsidies increase the government's financial burden and the deficit, which can only aggregate inflation.

It is true that government deficit is a common phenomenon in today's economy and few, if any, countries have completely eliminated deficits. But this does not mean that we can run up endless red ink in our budget. The fact of the matter is, even the Keynesians who advocate using deficits to stimulate economic growth only want to replace annual balance with cyclical balance; that is, allow several years of deficits if there are several years of surpluses. Huge deficits piled up for 10 continuous years, as in China's case, are rare.

In short, it is impossible to eliminate inflation by relying on tight credit alone if we are not determined to eliminate the financial red ink. To achieve our rectification and improvement goals, we must implement the "double tight" policy in earnest and resolutely implement the tight financial policy in combination with a tight credit policy.

[13 Feb 90 p 3]

If we want to solve the present fund problem and turn the weak market around, should we try to enliven the market for finished goods—ensure consumption of the finished goods, or should we pin our hopes on injecting start-up funds in the production or circulation links?

Our present fund difficulty is basically caused by our long-term pursuit of "accelerated" economic growth and the excess allocation of the national income, which eventually led to inflation. But if we look at the present situation, a more direct cause may be the weak market and the failure of the products to enter the final consumption domain. If the products cannot find their way into the consumer's market, businesses will have a larger stock and there will be more manufactured goods around; enterprises' disposable funds will fall sharply, and both production and business will fall into dire straits.

Faced with this situation, and in terms of monetary policy, we have three choices: First, we can inject some start-up funds directly into the industrial production enterprises; second, we can inject start-up funds into the commercial circulating link and let commerce bring along industry; third, refrain from injecting any start-up fund but enliven the market for finished products to let consumption enliven commerce and commerce bring along industry. It is our opinion that of the three plans, the second is better than the first, and the third is better than the second.

Since 1989, we have in fact adopted the first plan; that is, we have diverted more funds to the industrial production link. But practice has proven that this is not the best way, because funds injected into the industrial sector are

taken up by the finished goods. Since early 1989, industrial loans have increased by 39.9 billion yuan nationwide and finished goods by 50 billion yuan; the difference is more than 100 [as published] billion yuan.

If we adopt the second plan, that is, inject funds into the circulation link and entice businesses to stock more merchandise, the manufactured goods can be turned into savings or reserve in the bank or other forms of disposable fund. This may be better than the first plan, but because the market is in a slump and there is little final consumption, if we inject funds into the commercial link, at most we will be turning the finished goods into stockpile, but we still will not reduce fund utilization in society. Furthermore, due to the present sales slump, most businesses are not willing to take out loans and increase merchandise purchases, because increased fund-use and interest payment will adversely affect their profit level.

We are behind the third plan; that is, not to inject funds or increase credit but try to strengthen the market for final consumer goods, because the present relationship between consumption and funds can be depicted as follows: Decreased consumption and increased savings—drop in retail business—increased business stock—sharp increase in funds being taken up by manufactured goods—tight fund supply in society.

The above relationship clearly demonstrates that the present fund scarcity is caused by the market slump, and if we can boost the consumer market, money in the savings accounts will be shifted to the business accounts and manufactured goods will be turned into commercial goods, which then turns the business deposits into industrial accounts. If we inject funds directly into industry or commerce, they inevitably will boost demand on top of the already excess demand, which will further destabilize the currency.

The question of how to enliven the final consumer goods market requires careful study. Under the present situation, the main causes of the weak market are as follows:

One, fixed asset investment is put under control, which reduces consumption demand; two, nonindividual consumption is under control, which also reduces consumption demand; three, the introduction of inflation-proof savings encourages the masses to save, diverting some of the consumption funds and reducing the urge to spend; four, money input in the rural areas is insufficient. Of these four reasons, the first two are normal and the latter two are not, because amid the market slump, net savings has increased by 110 billion yuan over a 10-month period. Thus, the key to enlivening the consumer goods market lies in carefully increasing the masses' urge to spend.

To increase the masses' urge to spend, we can consider the following: One, we can take specific economic measures, such as using the interest policy with greater flexibility, to lower the interest rate on savings deposits in today's weak market to gradually reduce the amount

of savings, so that the fixed amount of consumption funds we have today are spent sooner. Making purchases sooner is not the same as increasing the consumption fund; it only adjusts the relationship between present and future consumptions. Two, we can perfect the cash purchase policy in our agricultural product procurements and increase the real purchasing power of the rural population. Today, the lack of purchasing power of the rural population is one of the main causes of the market slump, and the reason the peasants lack purchasing power is the inadequate cash input in the rural areas. Affected by the lack of available funds for agricultural and sideline product purchases, the peasants often receive only 50 percent of the payment for the goods they sold in cash; the rest are mostly paid in fixed-amount, fixed-term certificates of deposit, which do not provide any real purchasing power. It is our opinion that the cash put into agricultural product procurement is normal input backed by real goods, and such input will not cause credit expansion.

To alleviate the market slump, should we adopt measures to enliven the market only, or should we enliven the market and control production at the same time?

As we said earlier, the low consumption preference and the weak consumer goods market are the main factors behind the mounting commercial stockpile and stockpile of manufactured goods produced by the processing industry. But we feel the lack of purchasing power is not the only reason. The truth is, excess production of consumer goods is also an important factor here.

Today, it is mainly the luxury, durable consumer goods that are not selling well and are overstocked; everyday consumer products have no serious problem. However, stimulated by the policy to encourage "conspicuous consumption" in recent years, there has been an increase in the production of luxury and durable goods. Statistics compiled by relevant departments show the nation to have designed production capacity to produce 11.27 million sets of color television, 9.37 million refrigerators, and 12 million washing machines each year, but the actual production capacity is much greater. In 1988, production of refrigerator and color television increased 52.8 percent and 84 percent, respectively, over the previous year. The increase in production is far greater than the increase in effective market demand.

Take color TV's for example. Today, the peasant families have very little demand for them; it is primarily the urban families that buy color TV's. The 200 million urban population nationwide make up about 50 million families, and 45 percent of them already have color TV's (more than 80 percent in the large cities and in excess of 95 percent in Guangzhou and Shanghai have color TV's.) This means approximately 23 million households already own a color TV and only 27 million households do not. Of the latter group, a large percentage simply cannot afford one, and fewer than 22 million households can afford it but do not own one. In other words, if we keep up the present production scale for one more year,

every household will own a color TV set. This indicates how alarming the excess production problem is. Statistics show 1.4 million sets of color TV in stock at the end of last September, and if we add the 2.4 million sets stocked by businesses, they take up more than 5 billion yuan.

Excess production of consumer goods, which are the final products, will inevitably prevent much of them from being sold, which leads to two consequences: First, from the point of funds, because the production link cannot turn the consumer goods into money, it will prevent the capital goods production link in the upstream from turning its goods into money, which in turn results in too many funds being taken up by social goods. Second, from the monetary standpoint, because the goods being produced are not a part of the effective supply, they only exacerbate the excess demand and aggregate inflation.

Thus, we feel that we must quickly adjust and reduce the production of consumer goods, and upon succeeding that, we should tailor our production to suit the modern market which is characterized by rapid changes and adopt the modern management method of producing a generation while experimenting with a new generation and developing a third generation of goods and continue to renew the products to enable our production development to keep pace with market development. This is the only way to curb inflation.

Prices are gradually being stabilized. Does this mean the problem of excess demand is solved? Does it mean the currency is stabilized?

After spending more than a year on rectification and improvement, consumption demand and investment demand are somewhat under control and prices are slowly falling month by month. The nation's retail price index has fallen from 27 percent last January to 8.7 percent in October. This indicates that the policy to stabilize the currency is succeeding. But we must understand that although the price increase has slowed, it does not mean that the problem of overall disequilibrium is solved. We still have a serious problem with excess demand. Specifically, by the end of October 1989, the balance of the nation's civilian purchasing power was 700 billion yuan (including 356.1 billion in urban savings deposits, 134.4 billion in rural savings deposits, and 211.8 billion in the form of cash on hand.) This money will find its way into the market sooner or later. By issuing inflation-proof bonds and other means, the government was able to increase its revenue somewhat, but because of substantial increase in subsidies and other expenses, government expenditure also increased rapidly and the mounting deficit was inevitable. Both import and export increased during January-October of last year compared to the same period in 1988; domestic and foreign debts add up to more than 200 billion yuan RMB, and the peak foreign debt repayment period will soon be upon us. All these tell us that today's price stability is not the result of improved supply-demand relations but is a temporary phenomenon; its foundation is weak.

Since the supply-demand relationship has not improved, how did we manage to stabilize prices? We think there are several key factors: One, huge government price subsidies make prices look stable although there are in fact rising. Assorted subsidies this year may cost more than 100 billion yuan, 32 percent of the government's total income. Two, the banks' inflation-proof savings and subsidies postpone much of the demand, and because the price we pay for postponing demand is greater future demand, today's price stability may become a threat to price stability in three years' time (inflation-proof savings are three-year term deposits.) Three, to a large extent, price increase is kept under control by price ceilings and other government-imposed methods, but price ceilings and restricted supply of everyday necessities themselves are the manifestations of inflation.

In short, although the price increase has slowed, it is not the result of better supply-demand relations. The next step to stabilize the currency and product prices will be an even more arduous task. Using the stabilizing prices as excuse to advocate easing the money supply and increasing demand is the same as advocating the abandonment of the "double tight" policy once again, which will make it impossible for China's economy to recover.

Controlling the total money supply will facilitate structural adjustment, but does controlling the total money supply necessarily create a better structure?

Only if the total money supply is put under control can the industrial structure be optimized, because the conditions of excess money supply and excess demand usually produce two different situations: one, the production of goods generates its own demand, and so localities and enterprises have no pressure to make structural adjustments; two, there is no market and goods are stockpiled as soon as they are produced, but enterprises have easy access to monetary funds and therefore can sustain their low- or even negative-profit operation, and localities and enterprises again have no pressure to make structural adjustments.

Even if the above relationship is accepted by the whole society and is put to practice, another relationship—structural adjustment guarantees successful control of the total money supply—has been overlooked.

We have a situation where the total money supply is under control but we still have the same number of units that demand funds as before. This can be likened to the situation where the volume of flow through the watermain has been decreased, but all or most of the taps are left running, and the only difference is that the volume of flow from each tap is reduced. Under the circumstances, the victims of this reduction are the superior enterprises, not the inferior ones. The problem is, the superior enterprises are the foundation of society's effective supply; we cannot let the tight policy victimize them. So, in order to enliven the superior enterprises, we must once again ease the money supply, that is, increase the

flow in the watermain. But by so doing, the total volume cannot be controlled, and not only that but, because water to the inferior enterprises has not been shut off, water is coming out of every tap. In this way, even if we favor the superior enterprises when we ease the money supply, funds will still trickle down to the inferior enterprises in one way or another, such as defaulting on loans. In fact, both inferior and superior enterprises will benefit from the easy money policy, and so begins another round of structural disequilibrium.

Thus, it is our opinion that whether we can control the total money supply depends on whether the structure can be properly adjusted; the latter, in turn, depends on whether we are determined to close, suspend, merge, and transform some enterprises—not whether we can simply steer the fund supply in a certain direction.

PROVINCIAL

Inner Mongolia's Economic Growth Shows Improvement

90OH0481A Beijing JINGJI RIBAO in Chinese
20 Feb 90 p 2

[Article: "Happy To See Change For Better in Inner Mongolia's Economic Development"]

[Text] A change for the better occurred in the economic development of the Inner Mongolia Autonomous Region during 1989. Industrial output increased 11.68 percent over 1988, 5.88 percentage points higher than for the country as a whole. Financial revenues increased 18.26 percent over 1988 setting an all-time high that was 5.36 percentage points higher than for the country as a whole. During the single year, 550,000 kilowatts of power generating units, 5.8 million tons of raw coal, and 350,000 tons of petroleum were added for an output value of 350 million yuan. When this joyous news became known, the more than 20 million people of all nationalities throughout the region were greatly encouraged. They realized the huge potential for economic development and the hope for a take off of the minority nationality region, and they began to find an effective way in which to maintain consistent, integrated economic development.

To what was the high speed coordinated growth of industrial output and financial revenues attributable? Whether there is a secret of success, and what economic pattern can be found is a matter of extreme concern to people in all walks of life in Inner Mongolia, and they yearn for an ideal answer.

Improving the economic environment and restructuring the economic order provided Inner Mongolia a fine opportunity for economic development. The tilt in the structure of national development toward energy, transportation, and raw and processed materials enabled fairly rapid development of the autonomous region's coal, electric power, and raw and processed materials

industries despite the readjustment. The energy industry's made new advances, and though this may be a turn for the better, it is only a beginning. During the next five years, state investment in the autonomous region's coal, electric power, and transportation will reach 30 billion yuan, producing 24 billion yuan of fixed assets. At that time, people in all walks of life both in China and abroad will look at Inner Mongolia with increased respect.

Inner Mongolia depends on central government subsidies to finance it. Finding a way to become financially self-sufficient is a major task of Inner Mongolian Party and government units. In 1988, the autonomous region's financial self-sufficiency rate was only 47.3 percent, but in 1989, the self-sufficiency rate rose to 51.2 percent. To what was this rise primarily attributable? To give a simple reply, a "national corps" of 168 large- and medium-sized key enterprises played a major role, paying taxes and profits amounting to 50 percent of financial revenues for the year.

The spirit of struggle, striving, and making a contribution of these enterprises very much deserves to be emulated and spread. The Inner Mongolia Electric Cable Plant established an enterprise spirit of making a greater contribution to the country. While engaged in reform, it focused on stability from many angles, made strenuous efforts, and overcome very many difficulties. As a result, all economic indicators increased steadily, and the labor productivity rate for all personnel reached 24,000 yuan. Profits and taxes amounted to 14.3 million yuan in a 70 percent increase over 1988. The Chifeng Iron and Steel Works set as its goal struggling to create income and striving to produce high yields, its output value increasing 12 percent over 1988, and its profits and tax payments doubling. The Baotou Cotton Textile Mill overcame its shortage of raw materials and dearth of capital to maintain a fine growth impetus, producing an output value of 188 million yuan for the year, realizing 40 million yuan in profits and taxes, and earning \$10 million in foreign exchange from exports.

Looking ahead at Inner Mongolia's economy during 1990, preliminary forecasts call for rapid industrial growth, possibly of more than 10 percent even while doing a good job of improving the economic environment and restructuring the economic order. In agricultural production, a do-or-die fight has already been waged in preparation for harvesting a bumper crop. Animal husbandry is developing along a path that leads to a benign cycle, and it is hoped that the price index will be lower than in 1989.

Economic, Technological Cooperation Conference Ends

SK0903101390 Changchun Jilin Provincial Service in Mandarin 1030 GMT 3 Mar 90

[Summary] At the close of the provincial economic and technological cooperation conference, Jilin Vice Governor Wang Yunkun said that developing lateral cooperation and coordination is an important measure in stabilizing the economy.

Wang said economic coordination departments should focus on broadening cooperative channels. To readjust the product mix, they should coordinate new product development, raise product quality, and increase economic results. They should coordinate distribution, improve sales of local manufactured goods, and support enterprise development. There are still many stockpiled goods in the province; departments should hold cooperative exhibitions and trade fairs in order to strengthen sales. They should expand interprovincial and interregional cooperation and coordination in material exchange and energy use, and increase some important capital goods needed for production and living.

Shanghai To Install More Telephones

OW1803140490 Beijing XINHUA in English 1330 GMT 18 Mar 90

[Text] Shanghai, March 18 (XINHUA)—Shanghai, the largest city in China, will install 120,000 to 140,000 more telephones this year, according to an official with the local telephone office.

The total number of telephones is expected to reach 700,000 when the project is finished. More than 70 percent of them are program-controlled ones.

This will greatly improve communications in the city.

FINANCE, BANKING

Industrial Centers To Tackle Debt Defaults

HK2703025490 Beijing CHINA DAILY in English 27 Mar 90 p 2

[By staff reporter Wang Xiangwei]

[Text] As the government calls for a quick turn-around of the currently low industrial growth, some major Chinese industrial centres have given top priority to the problem of debt defaults among their enterprises.

Four major northeastern cities this month dealt with 6.24 billion yuan (\$1.33 billion) in debt defaults among 3,200 enterprises, CHINA DAILY has learned.

The four cities—Shenyang, Changchun, Harbin and Dalian—are China's major industrial hubs for oil, coal, automobiles and grain.

From March 19 to 21, top government officials from these cities met in Changchun, the capital of Jilin Province, to concentrate on helping enterprises retrieve payments owed to them and pay back their debts.

During the three days, they helped clear debt defaults totalling 4.26 billion yuan (\$906 million) with assistance from various banks.

An official from the People's Bank of China told CHINA DAILY yesterday that the bank, the country's central bank, fully supported the meeting.

He said that the bank decided to deal with the debt defaults on an area-by-area basis, adding that the bank will soon organize similar meetings in other parts of the country.

The PEOPLE'S DAILY reported yesterday that the move is aimed at invigorating the economy.

However, some economists said that the debt defaults, now amounting to 110 billion yuan (\$23.4 billion) are continuing their upward trend, haunting most Chinese industrial enterprises during the ongoing austerity programme.

Many enterprises have been forced to scale down or stop production because of the debt default problem, which is partly responsible for the nosedive industrial growth.

This is the second time that the four cities have met on the issue. They met earlier this month in Dalian, the biggest seaport in the northern part of the country, and at that time cleared debt defaults totalling 1.98 billion yuan (\$421 million).

During the meeting in Changchun, the government officials focused on major industrial producers including the Anshan Iron and Steel Complex, Daqing Oilfield, and the Changchun First Automobile Factory.

They adopted the policy of forcing debtors to pay back their debts, with the gap filled by loans provided by the banks after the four cities registered all of the enterprises that were in default on their debts.

For instance, the Changchun First Automobile Factory retrieved 70 million yuan in payments from buyers, which enabled it to pay back its debts to the Anshan Iron and Steel Complex for raw materials.

Commentator Discusses Causes of Sluggish Market

90OH0395A Beijing JINRONG SHIBAO
in Chinese 3 Feb 90 p 1

[Article by staff commentator: "What Is the Cause of Sluggish Market?—Discussing Views on the Control of Currency and Credit"]

[Text] In 1989, China's urban and rural savings deposits increased 133.4 billion yuan, an all-time high. Of the newly increased time deposits, approximately 80 percent or more are value-guaranteed savings for a period of three or more years. It is understandable that the people are both happy and worried about the sharp increase in last year's savings deposits. But there is a view in society that attributes sluggish market to the excessive amount of savings deposits absorbed by banks and suggests that the scale of value-guaranteed savings deposits be reduced or the interest rate of value-guaranteed savings be lowered. It is obvious that such a view is undesirable.

First of all, we should have a correct judgment of sluggish market. Like the decline in the growth rate of industrial

production, sluggish market is a new situation and problem which has arisen in the period of rectification and improvement. It is caused mainly by the fact that the production structure of consumer goods is irrational, certain commodities have low quality and high prices, the demand of fixed-asset investment is reduced, the consumption of social groups has plummeted, the export of some commodities is difficult, and some false purchasing powers have disappeared. It is a temporary phenomenon because the situation of social demand outstripping social supply has not been changed fundamentally in China and the expansion of consumption has not been brought under control permanently. Although the gross value of commodity inventory has somewhat increased, the actual amount of inventory after deducting the inflation factor has not been restored to the level before the panic buying in 1988. The gap in major commodities that affect the national economy and the people's livelihood is still fairly large. Therefore, we must not become careless and relax our efforts on production and marketing because of the temporary appearance of sluggish market.

Second, we should also have an objective estimate of the increase in savings deposits. It is reported that of the increased savings deposits in 1989, a fairly large part was deposits withdrawn during the run in 1988 and later channeled back to banks, and another part was working funds deposited by individual industrial and commercial households after rectification and public funds transferred to banks. All these are abnormal factors of growth. And the foundation of increase of savings deposits is the slowing down of price increase and the mental stability of consumers. But current prices are controlled mainly by relying on administrative measures such as increasing financial subsidies and borrowing bank loans. The foundation of market stability is still very fragile. Once there is a sign of trouble and we fail to keep the prices of some commodities from fluctuating, it is very possible that another round of run and panic buying will be triggered. Therefore, we must not be quick to deny the role of savings deposits in withdrawing cash from circulation before consumption expansion and inflation are brought under reasonable control. Under the current situation, even if we control the increase of savings deposits, we still cannot solve the problem of a sluggish market.

Leading comrades of the State Council pointed out that it is necessary to continue to stabilize and increase savings deposits. All banks should fully understand the importance of expanding savings deposits this year, especially beginning the service of value-guaranteed savings deposits, and consider continuing to organize savings deposits as an important task. The stable increase of savings deposits can, on the one hand, increase the withdrawal of currency from circulation to reduce market pressure and, on the other hand, pool idle funds in society to expand the source of credit funds and give more powerful support to industry and agriculture so that they can produce better and more marketable products in larger quantity for the market and enable the market to quickly turn from sluggish sales to prosperity.

Funds Decentralization Causes Problems in Investment

90OH0475A Beijing JINRONG SHIBAO
in Chinese 17 Feb 90 p 1

[Article in "Hundred Households Forum" column by Gu Weiguo (7357 0251 0948)]

[Text] At present there still exists in China's investment domain a loss of control in scale, a loss of balance in structure, and poor results. Investment funds decentralization is a direct cause of the abovementioned problems.

Since reform began, China's investment funds have gradually become decentralized. At present, of the more than 200 billion yuan in investment funds, about half of the total investment for an entire year—in amounts of several tens of thousands of yuan or several hundreds of thousands of yuan—has been decentralized in several million enterprise units and the hands of individuals. Taking 420,000 independent accounting industrial enterprises as an example, these enterprises have a total of about 60 billion yuan in depreciation funds and production development funds in their retained profits. However, of this amount more than 30 billion yuan are held by 410,000 small- and medium-sized enterprises with an average original value in fixed assets of about 12 billion yuan. Therefore, these 410,000 enterprises hold practically all the investment funds, those with more having several hundreds of thousands of yuan or more than a hundred thousand yuan, and those with less having several tens of thousands of yuan or even less.

The decentralization of investment funds in the thousands of households greatly stimulates the enterprise units' desire to invest, but also prevents the enterprises from making investments independently. Under the existing system, enterprises generally hope to make investments with the aid of bank money. In accordance with the provisions of the existing regulation, the enterprise unit must itself have 30 percent or more of the total investment funds before it may request investment money from a bank. Therefore, the enterprises on the one hand often piece together the investment funds through various channels, even not stinting at squeezing out production funds. At the same time, by means of under-reporting manufacturing costs in the budgetary estimate, and even leaving some items that must be in complete sets out of the budgetary estimate, they press down the scale of investment in the budgetary estimate in order to get bank money. Waiting for the project to start is a case of "riding a tiger and finding it hard to get off"—having no way to back down—the bank must add money to the original amount, and the enterprise must again squeeze out and divert other funds, so that the total scale of construction time and again inflates, and control of the scale of the annual investment is time and again lost.

Because of the decentralization of investment funds, the amount of funds held by the ordinary investor is fairly small. The investor can only build some projects that

require little investment and that produce quick results, and he does not have the power to invest in basic large scale industries and that have a long turnaround period, all of which causes the structure of investment in the entire scale to tend to be small and light. At the same time, a small amount of investment funds are generally only suitable for expanded reproduction on a small scale within the enterprise, or for making "filling up and leveling off-type" investments. Although this kind of investment is said to have fairly good beneficial results for a single enterprise, when the great majority of enterprises in society make this kind of investment, the result is that the proportions in society of the industrial structure and the enterprise structure expand horizontally, not only making it difficult to constantly optimize the industrial structure in accompaniment with economic development, but also making it impossible for the irrational industrial structure to be timely readjusted and worsening the degree of irrationality in China's existing amount of assets.

The decentralization of investment funds also seriously affects investment results. First, the insufficiency of investment in a construction project caused by the decentralization of funds lengthens the time limit for a project's construction and lowers the investment results in the period for a project's construction. Over the past several years, China has newly built more than 10,000 color televisions, refrigerators, radio cassettes, and beer factories, but very few of them are able to meet the scale and demands of modern economic standards. Second, decentralized projects that have been built with a small amount of investment funds often lack overall results and cannot meet the planned economic demands, thereby causing production projects to be congenitally deficient and adversely affecting the results in the project's production period. Third, after the decentralization of investment funds, the horizontal expansion of the industrial structure is bound to cause an imbalance in the national economic structure, thereby adversely affecting the overall results in the national economy.

Marx once highly evaluated the positive effect of the concentration of capital in the developing period of capitalism. The promotional role of capital concentration on social production is determined by the general character of socialized large-scale production. Today, when we are engaged in socialist modernization, we should also make full use of the positive effect of the concentrated utilization of investment funds.

Of course, we cannot return to the old path of having the state exercise centralized control over all investment funds. In accordance with the demands for reform of the economic system, the principle for solving the problem of the decentralization of funds should be: in applying economic measures, under the premise of not changing the ownership of funds, make concentrated use of funds. That is to say, we should make the results of using funds the centerpiece, and with the aid of stocks, bonds, and other instruments and through the organizational form

of enterprises with horizontal economic combinations or the joint stock system, make concentrated use of the decentralized investment funds. Vigorous support and development of long-term funds markets to enable enterprise units at any time to make investments with negotiable securities is a basic premise for the concentrated use of investment funds. To have the enterprise units, through comparative interests, make the ideal choice between negotiable security investment and operating investment, it is necessary for the responsibilities, rights, and interests of enterprises to be further integrated and for the reform of the enterprises to be deepened.

Bank credit is a powerful lever for promoting capital concentration. At present China's banks can, through the credit policy, their own credit activities, and support of the enterprises' horizontal integration, provide the concentrated use of investment funds in order to improve the economic results and the social results of investment funds.

MINERAL RESOURCES

Jiangxi Taps Abundant Silver Ore Deposits

90OH0477A Nanchang JIANGXI RIBAO
in Chinese 14 Feb 90 p 1

[Report by Liu Kecai (0491 2688 2088) and reporter Yuan Shengtang (5913 4141 1016): "Jiangxi's Silver Ore Deposits Leap Into First Place in China"]

[Text] In the first spring of the nineties, good news came from geology and mineral resources departments: Jiangxi's silver ore deposits have leaped into first place in China. This is the sixth "metal flower" to come into full bloom this spring after the mineral deposits of the "five metal flowers"—copper, tungsten, rare earth, tantalum, and uranium—to hold sway over the Divine Land—China. On 13 February Yan Meizhong [7346 5019 6988], director of the provincial Geology and Mineral Resources Bureau, told reporters: In our province more than 10 large- and medium-sized silver ore deposits have been found. This is a major breakthrough in ore-finding in China, and as a result it is the focus of the people's attention. It promotes the country's acceleration of the extraction and utilization of silver ore, and is of major significance for building Jiangxi into a large silver-producing base.

Silver ore is one of the minerals urgently needed by China. As early as the end of the Sixth Five-Year Plan period, the state raised the great expectation that in the Seventh Five-Year Plan period more large and medium-sized silver ore deposits would be found. Jiangxi's geology and mineral resources workers, in line with the demands put forth by the provincial party committee and provincial government, from 1984 on listed silver as a breakthrough key point in geological prospecting. However, the idea that "silver ore is basically an associated component among the metallic ferrous minerals, and there are very few instances of independent silver

ore or minerals in which silver is primary" for a long time fettered thinking about prospecting and finding silver ore, which adversely affected the initiating of prospecting for silver ore. The provincial Geology and Mineral Resources Bureau on many occasions called together relevant experts and technicians to make explorations for mineral deposits. Everybody thought that the conditions in Jiangxi for metallic mineralization were superior and that many kinds of associated elements existed on a wide scale, with ore deposits with associated silver elements being particularly numerous. There are fairly good conditions for silver ore deposits, and there are vast vistas for prospecting and finding independent silver or metallic mineral deposits primarily composed of silver. For example, Geological Dadui 1912 as early as the sixties discovered an ore field in the Guixi Cold Water Pit, but for a long time it was considered to be a lead and zinc deposit; in the early eighties it was verified as associated silver. Next, they made systematic, deep-going explorations. In the mid-eighties they discovered silver ore bodies on top of the lead and zinc ores. They found a particularly large silver ore field rarely seen now in China, thereby opening wide the thinking about finding silver ore. After geological dadui from northwestern Jiangxi and southern Jiangxi discovered in northern Jiangxi and southwestern Jiangxi more than 100 silver ore points. After selecting the best and making checks, they found among them 10 large- and medium-sized silver ore deposits.

To promote an early breakthrough in finding silver ore, the provincial Geology and Mineral Resources Bureau and various geological teams, linking input with output, adopted, for technological forces, funds, materials, and the amount of exploratory drilling work, adopted a policy of "tilting," thereby arousing the enthusiasm of staff and workers. Displaying the spirit of arduous struggle and self-reliance, they worked hard to accelerate the pace of prospecting. In the past a general survey of a medium-sized silver ore deposit often took three to four years, but now the quality and quantity of the survey can be insured. At present, in the province as a whole, detailed checks and prospecting have been completed on three large- and medium-sized silver ore fields—Luling, Baojia, and Yangjishan—and for another eight detailed checks will soon be completed or are now being stepped up.

It is understood that for silver and gold alike, on the domestic and international markets supply does not meet demand. Although China's silver output is sixth in the world, it still cannot satisfy the domestic demand and the gap must be made up by imports. The proven silver ore deposits in Jiangxi are extremely abundant, as are the long-term reserves. It is predicted that by the end of the Eighth 5-Year Plan period there will be a large-scale growth in our province of independent silver ore and associated silver ore deposits.

INDUSTRY

Further Growth Expected in Ship Repair Industry

HK0703052490 *Beijing CHINA DAILY (BUSINESS WEEKLY)* in English 5 Mar 90 p 1

[Text] China's ship repairing industry expects a continuous booming business this year, with a bigger share of the business from both here and abroad.

China State Shipbuilding Corporation (CSSC), which undertakes most of the country's shipbuilding and repairing work, recorded a production value from its ship repair service last year of 600 million yuan (\$128 million), an increase of 68 percent over the previous year, Bi Yueran, managing director of CSSC's Ship repairing Department, told BUSINESS WEEKLY.

"That was a rare annual growth rate," Bi said.

Some 1,000 ships were repaired by the corporation last year, including 326 from other countries and regions, he said.

And of the 600 million yuan total, 29 percent came from repairing foreign ships from 29 countries and regions. Hong Kong and the Soviet Union were the biggest customers.

In January, the corporation reported another 17 percent growth in ship repairs over the same month last year. "That means we expect this year to be a bright one," Bi said.

In five of CSSC's main ship repairing plants, the task for the first quarter of this year is set at four times the target for the same period of last year, Bi said.

"We expect more repairs of ships from both home and abroad for the next several months," Bi said.

To enlarge the repair capacity, a 200,000-DWT drydock is under construction at Dalian Harbour in Liaoning Province, Bi said.

A proposal to construct two more 100,000-DWT docks during the next five years was made in a recent CSSC report. One would be built in Shanghai, China's largest harbour, and the other in Guangzhou, Guangdong Province, Bi told BUSINESS WEEKLY.

"By then, more and bigger ships will come to China to be overhauled," he said, adding that the report has been submitted to the government for approval.

The corporation has 20 shipyards undertaking ship repairs. Eleven of them are able to create an output value of above 30 million yuan (\$6.4 million) from ship repairs.

The shipyards can accommodate ships with 100,000 DWT and undertake docking repairs for ships up to 70,000 DWT.

China's shipbuilding industry has grown from a small ship repairing service that existed in old China. But most in the field agree that ship repairing has grown vigorously in the past decade.

Since 1982, the corporation's ship repairing has grown at an average annual rate of 18 percent. By last year, ship repairs made up 18 percent of the corporation's total business.

Upgrading Bicycle Industry

HK1903031990 *Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST)* in English 19 Mar 90

[Text] After years of neglect, the bicycle, China's most basic form of transport, is finally getting some attention from the central planners.

But so far their efforts to shake up the industry have been hampered by bureaucratic mismanagement and vested interests.

The problem is not volume—China is the world's biggest producer of bicycles—but rather outmoded technology and a lack of quality, which is having an impact on exports as well as domestic sales.

Although China last year production nearly 37 million bicycles [as published], or 34 percent of the world's total output, its exports of two million bicycles lagged far behind Taiwan's nine million.

Taiwan is the world's biggest bicycle exporter, while China ranks third in export volumes.

China's need to export is all the more acute in the face of a slump in sales at home. Because of the central Government's economic austerity programme, sales in the first half of 1989 were 38 percent lower than the first half of 1988.

Inventories have risen to 13 million bicycles. More than half of the country's bicycle companies are losing money, including six of the 10 top producers.

This fall-off in demand has come on the heels of a host of other problems which have plagued the industry, including big price rises for raw materials, along with shortages of funds and energy.

To remedy the situation, the central Government has been trying to support and bolster the better bicycle manufacturers at the expense of those who put out inferior products.

In this way, it hopes to ensure scarce resources of raw materials, energy and investment funds are channelled into companies which can compete abroad while satisfying China's increasingly quality conscious domestic consumers.

But of China's 78 bicycle factories, so far only two have been closed down.

"Some departments," according to the official ECONOMIC INFORMATION newspaper, "lack the power to bring about readjustment, and some local governments protect their enterprises, which continue to produce inferior bikes."

Even withdrawing manufacturing licences has proven difficult.

In a frank admission of the industry's troubles, the newspaper said China "continues to have problems with quality."

"Foreign bicycles are made of better metal, are more sophisticated in design and offer greater variety," it said.

Manufacturers have so far done little more to offer greater choice than to start painting their products in colours other than the standard black, the newspaper said.

China has also failed to win a big share of the international market for light-weight, high speed racing bicycles.

Chinese racing bikes have a maximum of 10 gears, compared with up to 21-speed models produced by foreign competitors.

The three biggest-selling Chinese brands—Forever, Flying Pigeon and Phoenix—are based on English designs of the 1950's.

To attract foreign buyers, ECONOMIC INFORMATION urged Chinese manufacturers to improve design and painting techniques.

The newspaper also said Chinese producers should turn their attention to the huge world market for spare parts.

Construction Machinery Market Looks Grim

90OH0221B *Chengde JINGJI XIAOXI* in Chinese
31 Oct 89 p 2

[Article by Qin Mingfang (4440 0682 5364) and Shi Gong (4258 0361): "Construction Machinery Market Looks Grim"]

[Text] The nation's 300 construction machinery plants are now tasting the bitter fruit of unchecked growth, victims of the herd instinct in production. The construction machinery industry has become a cutthroat buyer's market. This was the message from the fall 1989 national construction machinery goods-ordering conference, where merchandise moved slowly and deals were few and far between. It was held in Anyang, Henan, between 13 and 15 October.

Right now supply exceeds demand on the construction machinery market, according to the conference. The reason is that the market was overheated a few years back. Other factors include inefficient macroeconomic control, regulation, and unchecked growth. With the market sliding into a recession next year, the situation

looks grim. Machinery such as hydraulic-pressure excavators, concrete pumping vehicles, concrete mixer-conveyers, road rollers, and pile drivers, which were in short supply last year, have become more plentiful. Some construction machinery plants have suspended operations partly or fully. Compressing machinery, reinforcing bar machinery, and remodeling equipment are moving slowly. Li Zhongming [2621 1813 2494], deputy general manager of the China Construction Machinery Corporation, summed up what we could learn from the current weak market as the following four lessons. First, investment outside the plan went out of control. A few years ago, the arms industry, mechanical industry, and township and town enterprises all scrambled to jump on the bandwagon of making construction machinery, duplicating one another's shoddy output. Second, popular items were over-produced. For instance, there were only eight plants making elevators in the 1970's. Today there are 300 such plants, producing more than what is required. Third, increases in output have been excessive; in recent years the industry has been expanding at an average rate of 25 percent each year. At a time when the government is putting the brakes on capital construction and tightening credit, it is inevitable that the industry is hurting. Fourth, the importing of construction machinery has gotten out of hand, dealing a blow to the domestic industry.

People in the industry point out that since the state will continue to increase investment in road construction in the Eighth 5-Year Plan, the market for products such as asphalt spreaders and vibrating road pressers looks good. The market for machinery used in the building of houses, transport facilities, and energy installations, as well as special machinery for urban construction like bridges, environmental protection, gardens and parks, and street lighting also has considerable potential.

Henan's January Industrial Output Drops 4.6 Percent

40060041A *Zhengzhou HENAN RIBAO* in Chinese
18 Feb 90 p 1

[Excerpt] According to news from the provincial statistics bureau, in January Henan's total value of industrial output was 4.795 billion yuan, a 4.6-percent decrease compared to January 1989. After accounting for the effect of the Spring Festival, average daily output value was 5.6 percent higher than the same period last year. The output value of light industry was 2.212 billion yuan, a decrease of 8.2 percent, while that of heavy industry was 2.583 billion yuan, a 1.1-percent decline.

According to statistics, 43 percent of 80 major product types increased output over the same period last year. Rather large increases were seen primarily in energy and raw materials output. For example, electric power production rose 12.9 percent and yarn production increased 7.1 percent; steel, caustic soda, and other materials also saw rather large increases. [passage omitted]

Shandong Boosts Output Value in January, February

OW1503061590 Beijing XINHUA in English
0636 GMT 14 Mar 90

[Text] Jinan, March 14 (XINHUA)—The industrial output value in east China's Shandong Province went up by 3.5 percent in the first two months, ranking second among the leading 13 provinces and municipalities, each with an annual industrial output value above 40 billion yuan (about 8.5 billion U.S. dollars).

A provincial official said that as a result of paying more attention to the development of energy, major raw materials, and products for farm use, the province's power output was up by seven percent, coal output at state mines increased by 470,000 tons, steel output increased by 121,000 tons, and soda ash, synthetic ammonia, fertilizer, and farm chemicals also registered big increases.

The official noted that although the province's industrial production went up, it has not met the target of eight percent for the year.

The provincial government is mobilizing all efforts to boost production.

Jiangsu's Yizheng Company Produces Most Synthetic Fiber

OW1903193090 Beijing XINHUA in English
1319 GMT 19 Mar 90

[Text] Beijing, March 19 (XINHUA)—Yizheng Joint Synthetic Fibre Company, located in east China's Jiangsu Province, is now China's largest synthetic fibre producer.

The company has produced a total of one million tons of polyester fibre since 1985.

Construction of the first stage of the Yizheng synthetic fibre project began in 1982. After the first stage was completed in 1984, annual production capacity was 180,000 tons of polyester fibre.

Construction of the second stage began in 1985. It is expected to be producing at full capacity of 310,000 tons of polyester fibre by the end of this year.

The company is a joint venture of the Ministry of Textile Industry and the China International Trust and Investment Corporation. The total investment of 2.5 billion yuan was raised in China and abroad.

By the end of 1989, output value totaled 9.06 billion yuan with 1.82 billion yuan in profits and taxes, and the company had paid off 1.35 billion yuan of its debts.

The Yizheng's products, which account for almost one-third of the country's synthetic fibre production and half of the polyester fibre, are on sale throughout the country. Polyester fibre has been exported to Japan and Southeast

Asia. The company has reduced the need to import chemical fibre, saving foreign exchange for the country.

Shandong To Strengthen Basic Industries

90OH0221A Beijing RENMIN RIBAO in Chinese
8 Dec 89 p 1

[Article by Jia Jianzhou (6328 1696 5297) and Li Youdao (2621 2589 6670): "Shandong To Strengthen Basic Industries"]

[Text] Shandong Province has been fulfilling the spirit of the Fifth Plenary Session of the 13th CPC Central Committee and reviewing experience and lessons by seeking truth from facts. Modifying its economic development strategy promptly, it has devoted its energies to beefing up basic industries and improving economic efficiency.

Shandong is fairly rich in resources. After 40 years of construction, particularly in the last decade, its economy has expanded considerably. In recent years, though, it has also shown an impatience for instant success in economic construction. Capital construction has been over-extended and processing industries have grown too fast, exacerbating the imbalances in the economic structure. Funds, energy, and raw materials are in short supply, idling in whole or in part tens of billions of yuan worth of fixed assets in industrial enterprises at the township level and above across the province. The foundation of agriculture remains fragile. Besides, after years of drought, grain, cotton, and oil output has stagnated. Over-investment in processing industries and in accumulation of a consumption nature has blunted the momentum of economic development.

Jiang Chunyun [1203 2504 0061], secretary of the Shandong CPC Committee, told reporters in an interview the other day, "Even as we fully affirm our achievements, we must expose our problems honestly, with one level being held accountable to the next. Leading cadres at all levels, in particular, must overcome the tendency to underestimate difficulties. It is wrong to act as if one had nothing to do with improving the economic environment and rectifying the economic order or to drag one's feet."

Accordingly, the Shandong CPC Committee and the provincial government have made the strict control of total social demand the No 1 goal of the drive to improve the economic environment and rectify the economic order. Local fixed assets investment for the entire province would be limited to just under 20 billion yuan next year (7 billion less than 1988.) Consumption funds will increase more slowly than national income or productivity. Credit will be kept at a level below the national plan. In principle, not a single new processing project of the ordinary type will be approved and not a single new construction project will be allowed. As for other projects, a system of dual target controls—the scale of investment for the year in question and the scale of investment under construction—will be imposed. Collective investment in the countryside will also be put

under planned specialized management according to level. Over-investment will not be allowed, nor will construction without a license. The amount of investments in technological transformation as a percentage of all fixed assets investments will not drop. Proportionally speaking, investments in capital construction in agriculture, energy, transportation, and the raw materials industry will go up.

To overcome the fragmentation of financial and material resources, the province is concentrating resources on key projects to ensure their completion. Beginning next year, some money will be set aside from the extra-budget funds and budget regulating funds to finance key local projects.

The administrative and operating expenses of agencies directly under the province will be cut by 10 percent, the savings thus made to be used to aid agriculture and industries that support agriculture. A preferential policy will be applied to the province's 670 large- and medium-sized enterprises.

If agriculture is stable, the whole economy will be stable. The Shandong CPC Committee and provincial government have decided to focus on two major issues and do well in them: one, putting irrigation works on a sound footing, thereby overcoming the biggest impediment to agriculture and, two, tapping the potential of science and technology, which will do more to increase yields than anything else. New resources, such as the Huang He delta, shallow coastal waters, and low- and medium-yield land, will be developed. In addition, per-unit-area grain, cotton, and oil yields will be raised.

COMMERCE

Statistical Bureau Releases Retail, Trade Figures

HK2203024090 Beijing CHINA DAILY
in English 21 Mar 90 p 2

[By staff reporter Zhang Yuan]

[Text] The State Statistical Bureau yesterday announced that retail prices continued stable and foreign trade saw a \$500 million surplus in the first two months this year.

This follows the austerity programme which aimed to bring down inflation and maintain a stable domestic market.

According to the bureau's latest analysis, a survey of 35 large and mid-sized cities shows retail prices through February rose by just 3.3 percent, over the same period last year.

When seasonal factors, namely increases in fresh vegetables and fruits prices, are taken into account, retail prices generally maintained the level of that in December, 1989.

Meanwhile, prices of some commodities fell. But the report did not provide details.

This is partly attributed to stable market supplies and improved commercial distribution in the past two months.

By the end of February, the report said, purchasing of grains increased 6.6 percent, cotton by 3 percent, and jute and bluish dogbane by 33.1 percent, next to figures for the first two months of 1989.

Supplies of pork, fresh eggs and seafood all increased at different levels, which are essential to a stable market.

In the first two months, the report continued, total value of China's imports and exports fell by 0.8 percent from the same period last year; imports rose by 6.4 percent; and exports decreased by 7.2 percent.

"When imports of raw materials and equipment by foreign funded ventures in China are deducted, foreign trade showed a surplus of \$500 million in the first two months this year," the report said.

At the same time, cash income of non-trade continued to take a favourable balance.

Naturally, China's cash on hand increased. But the actual figure is not available.

During this period, savings in the country's banks increased sharply while loans showed a slow growth rate which helped to maintain the stability in the market.

By the end of February, savings reached 1.04 trillion yuan (\$221.3 billion), which represented an increase of 34.1 billion yuan (\$7.3 billion) compared to the beginning of this year.

Total outstanding loans which have been provided by banks stood at 1.35 trillion yuan (\$286.7 billion), an increase of only one billion yuan (\$213 million). This indicates an increase in bank savings but a drop in State loans, the report explained.

Meanwhile, cash income of banks increased by 16.1 percent, much higher than the 8.3 percent growth rate in the same period last year.

Because the central and local governments have been paying special attention to agriculture, expecting a good harvest this year, progress was made in construction of water conservation projects, investment in agriculture, and autumn and winter crop sowing.

In the past two months, newly-opened and improved irrigated areas had reached 10 million mu (666,600 hectares).

Autumn and spring crops sown last year covered 648 million mu (43.2 million hectares), an increase of 25.5 million mu (1.7 million hectares) from the year before.

Fixed assets investment in the State-owned sector in the period decreased by 6.9 percent to 7.4 billion yuan (\$1.6 billion).

But the bureau warned that special attention should be paid to the problems of sluggish sales, the drop of industrial output and high expenditure growth accompanying low average income.

State Celebrates Patent Anniversary

*HK3103035690 Beijing CHINA DAILY
in English 31 Mar 90 p 2*

[By staff reporter Qu Yingpu]

[Text] Smiles lit up the faces of State officials who met in Beijing yesterday to celebrate the fifth anniversary of China's Patent Law.

By the end of last month, the Patent Office of China had handled 130,896 patent applications, including 25,783 from overseas inventors, the director, Gao Lulin, told the meeting.

He said the applications included 45,041 inventions and 7,558 packaging designs.

The foreign patent applications were from 64 countries and regions, including the United States, Japan, West Germany, France, the Netherlands and the United Kingdom. The United States had the biggest share with 32 percent, he said.

"This indicates that China's open policies are successful and the huge Chinese market is attractive to many foreign businesses," Gao said.

He said applications from Taiwan had increased rapidly since his office announced measures to handle Taiwan patents at the end of 1987. By the end of last month, his office had received 619 such applications.

He said applications from China's enterprises had outpaced those from universities and institutes in the last two years. By last year, applications from industrial firms outnumbered those from colleges and institutes by almost six percent, despite the State austerity policies, Gao said.

In 1985, applications from China's 10,000 big and middle-sized enterprises and several million State and collective businesses numbered only half those from colleges and institutes.

Gao said patent applications on packaging design had experienced the fastest growth in the last five years. By the end of last year, such applications amounted to 2,065, compared with only 269 in 1985.

"This shows that Chinese firms started to improve their packaging to satisfy needs on the international market," he said.

Guangdong Province, where market economy developed quickly, was the biggest applicant. Of a national total last year of more than 2,000 such applications, 20 percent were from Guangdong.

Gao said his office had made rapid progress in approving patent applications.

By the end of last month, 42,558 patents were approved, 3,518 of which were granted to foreign applicants. Up until 1985 only 138 applications were approved.

The 17,129 patents approved by the end of last year included 2,303 inventions and 1,318 packaging designs.

According to Patent office statistics, 30 percent of the technological inventions have been put into use.

Gao said China's patent institutions had been working together for the past five years to protect patent holders and inventors.

By the end of last month, China had handled 419 disputes involving patents, and 107 had already been settled.

ECONOMIC ZONES

Report on Shanghai's Caohejing High Tech Development Zone

*90OH0441A Shanghai JIEFANG RIBAO in Chinese
6 Feb 90 p 1*

[Article by Jiang Jishen (3068 3444 3947) and Li Wenqi (2621 2429 4388): "The Shanghai Caohejing Development Zone Is Alive With Activity; It Has Imported High Technology and Attracted Funds from Other Parts of China and Abroad, Accumulated Reserve Strength To Vigorously Develop Shanghai's Economy, and Begun To Develop Certain New High-Tech Industries"]

[Text] Guided by the party's policy of reform and opening up to the outside world, the Shanghai Caohejing High Tech Development Zone (HTDZ) is alive with activity. By 1989, it had 17 foreign-invested enterprises which had attracted \$105 million in foreign investment. In 1989, it allowed nine of these three kinds of foreign trade enterprises, which attracted \$43.6 million in foreign investment, to enter the zone, had a GVIO [Gross Value of Industrial Output] of 1.82 billion yuan, realized 480 million yuan in profits and taxes, or 42.3 percent more than in 1988, earned over \$35.8 million in foreign exchange from exports, and achieved fairly good economic efficiency.

The Shanghai municipal people's government has paid much attention to building up the zone in recent years. It has lengthened and built 5.6 km of seven new streets, the main ones being 32 m wide, put in 46.4 km of water, power, gas, telecommunications, and sewage lines, planted a 1-km-by-20-m green belt, and built over

100,000 sq m of service facilities, such as offices, factories, warehouses, apartments, and schools. This includes a 7,200-sq-m administration building, which is equipped with banking, customs, commercial inspection, overseas freight, postal, and insurance service organizations to enable the three kinds of foreign trade enterprises to transact the relevant formalities in one building. Over 100 groups of overseas high-tech entrepreneurs have come to inspect the zone and discuss joint ventures, and many of the 17 existing three kinds of foreign trade enterprises in the zone were mostly funded and built by internationally famous high-tech enterprises. For instance, the 3-M China Company Limited, the Yafei Microelectronics Equipment Industrial Corporation Ltd, and the Changhua Enterprises Company Ltd are all wholly foreign-owned enterprises; the Shanghai Daji Data Processing Corporation Ltd and the Shanghai Ruikan Cable Accessories Company Ltd are both more than 80 percent foreign-owned, and the others are all more than 50 percent foreign-owned.

Constant advances are also being made in building domestic high-tech development bases within the zone. The Shanghai Microelectronics Research and Development Base, which was jointly funded by the Chinese Academy of Sciences (CAS) and Shanghai Municipality, has been finished and may be rated as China's most important base for microelectronics research, development, testing, production, and earning of foreign exchange from exporting. The Shanghai Biological Engineering Center, which is being built with a 57-million-yuan investment by the CAS, is partially finished and will vigorously spur the transfer into production of over 30 of Shanghai's technical research achievements in biological engineering, such as synthetic insulin. Construction is being stepped up on the Ministry of Machine Building and Electronics' Special Electrical Engineering Testing Base, and construction has also begun on the Ministry of Aerospace Industry's Mechanical Carrier Electronics Center.

Scientific research institutions run by the local people are just beginning to appear. Scientific researchers are being urged both individually and collectively to come and set up high-tech enterprises in the zone. The "Sanguo Cell Computer Laboratory," set up by technicians who studied in the U.S. and returned to China, and the "Lunhai Photoelectric Technology Research Institute" and the "Huaxing Biological Engineering Research Institute," set up by scientists and technicians who won the 1988 "Eureka" silver medal, are in operation in the zone, and companies, such as the Fanglun Fibrous Composite Technical Development Corporation, have applied to enter the zone.

The Shanghai Caohejing HTDZ has attracted over 50 electronics, instrument and meter, and fiber optics communications factories and research institutes in specialties, such as biology and laser technology, seven of which are foreign funded, and is developing increasingly clearer outlines for certain high-tech industries.

The Caohejing HTDZ has an investment of \$143 million, has grown quickly since it was established, and has a gross output value of over 2 billion yuan. In industries such as spacecraft guidance, early warning, and thermal imagery, it has the platinum silicide Schottky barrier infrared focal plane high-tech project that has good prospects for widespread application, has surpassed all technical norms for such devices that were developed by the U.S. and Japan several years ago, and has enabled China to enter this high-tech field and step into the advanced international ranks of the 1980's. Its genetic engineering research into synthetic gamma interferons has achieved success in pushing IFV gamma output to a high representation rate of over 60 percent of total somatic protein, and ranks first in the world.

The Caohejing HTDZ has made important applied research breakthroughs in the field of advanced communications networks. The multipurpose fiber optics bus network, that was developed successfully for the first time in China, can resist electromagnetic jamming, has a good security performance, has a flexible structure that is suited to places such as large- and medium-sized industrial mining enterprises, party, government, and military organizations, and naval vessels, and has technology that is up to advanced international standards for such networks in the mid-1980's. The "JGD-1 laser printer," that combines laser technology and electrophotography, uses new technologies, such as optics, precision machinery, and electronics, to print eight pages a minute at a resolution rate of 300 points per inch. The "microcomputer on-line control system for penicillin fermentation," that applies computer technology to biological engineering, has achieved automatic inspection and testing of 15 parameters in the fermentation process and enabled penicillin fermentation and production to become increasingly automated. This technology, that is rare in Western countries, is being used very successfully in China. The use of this system for only one variety has earned 1.75 million yuan in profits and lowered costs 250,000 yuan in the last six months.

LABOR

New Labor Law Protecting Women Workers Ratified

HK2703025690 Beijing CHINA DAILY
in English 27 Mar 90 p 1

[Text] The Chinese Government has ratified a new set of labour protection regulations banning women workers from engaging in such jobs as underground mining, lumbering and other heavy-duty manual work, China Daily has learned.

The new and highly detailed regulations, focusing on labour protection for the country's 50 million women workers, aim to prevent women from being assigned to labour-intensive or poison-related jobs considered "harmful to their health."

A national survey found China had a total of 50.36 million women workers by the end of 1988, account for 37 per cent of the total labour force.

The Regulation on Prohibited Work for Women Labourers, drafted by the Ministry of Labour, is a supplement to the Women's Labour Protection Regulations enforced since 1988.

Although the first comprehensive regulations came out in 1988, they supplemented policies protecting women from harmful work introduced upon liberation. However, these policies were ignored during the "cultural revolution" (1966-1976), when women were encouraged to do the same work as men at great expense to their health.

The new regulations say that women are not allowed to work in cold water or under cold-storage conditions during menstruation. Jobs involving work with poison or radiation, and such jobs as welding, tractor-driving, forging and climbing are also banned for women during pregnancy and lactation.

The official in charge of women's labor protection under the Ministry of Labour, Liang Xiaozhen, said, "This regulation provides detailed and specific rules on the harmful work that should no be assigned to women" [as published]. So it is popularly welcomed among the female labourers as well as in the grassroots enterprises.

She said previous regulations on women labour protection were successfully administered.

Most women workers in State-run enterprises had improved working conditions, longer paid maternity leave and shorter working hours from the seventh month of pregnancy since the implementation of the Women's Labour Protection Regulations. But she said investigations found that in some areas the regulations were ignored.

According to a survey conducted by the Beijing Textile Bureau last May, more than 87 per cent of women working in textile factories who were more than seven months pregnant or who were lactating were still assigned to night shift despite its prohibition under the regulations.

In Liaoning Province, 300 female workers were still working in underground mines last year. And in Xuzhou Steel Factory, more than 40 female porters were responsible for carrying a total load of 80 tons each day in any weather, according to a report from the Ministry of Labour.

However, officials say, the biggest problem may exist in those private and collective and even foreign-funded enterprises, over which the government imposes only limited supervision.

TRANSPORTATION

Hangzhou Inaugurates New Inland Wharf

OW1703045590 Beijing XINHUA in English
1506 GMT 16 Mar 90

[Text] Hangzhou, March 16 (XINHUA)—A new wharf for handling miscellaneous goods was inaugurated today at the Hangzhou Port in Zhejiang Province after three years' construction.

The total cost of the wharf was about six million U.S. dollars, of which 2.5 million U.S. dollars were provided as preferential loans by the Swedish government to import port equipment from Sweden.

Covering 38 ha, the wharf includes 24 berths.

AGRICULTURE

Beijing Welcomes Foreign Investment in Food Industry

HK2903102390 Beijing CEI Database in English
0908 GMT 29 Mar 90

[Text] Beijing (CEI)—Beijing welcomes foreigners to invest in the food industry, one of the industries the city gives priority to developing.

In 1989, the industrial output in the food industry increased to 3.3 billion yuan from 1.55 billion yuan in 1980.

Beijing started to use foreign funds on developing the food industry in 1984, and approved the setting up of eight Sino-foreign joint food ventures in 1989, with 24 million U.S. dollars of total investment. So far, 28 joint food ventures with 78 million dollars of total investment including 25.6 million dollars were approved.

The foreign-funded firms, invested by businessmen from the United States, Japan, Britain, France, Singapore, Hong Kong and Macao, mainly cover drinks, cakes, biscuits, fast food, meat processing, tourist food, edible oil, vegetable processing, bread and wine.

The food projects using foreign capital designated by Beijing Municipality Food Industry Office are for the productions of toffee, ice-cream, new-type starch, fast food for civil air, bag food and flour processing.

Formula for New Breakthrough in Agriculture

90OH0442A Beijing JINGJI RIBAO in Chinese
7 Feb 90 p 1

[Article by staff correspondent Tian Jijin (3944 4480 6855)]

[Text] After obtaining a bumper grain harvest last year, the agricultural departments, from top to bottom and

without the slightest slackness, still racked their brains: How are we to achieve a new breakthrough in agricultural production?

Correctly Understand the Current Agricultural Situation

Last year's bumper harvest in grain—a total output of 814.9 billion jin—was really encouraging. However, amid the joy there is worry because this does not mean that there has been an improvement in the total production capacity of China's agriculture, and we need to redouble our efforts to achieve a new breakthrough.

Balancing the books in all places, we see that in last year's bumper grain harvest, besides the policy factor, the direct cause was that the sown area was expanded by 2.8 billion mu. However, the rise in the per unit area yield was very small. The expansion of the area sown to grain squeezed out other crops, resulting in a reduced output of three principal economic crops: cotton, oil-bearing crops, and sugar. In the fourth quarter the weather was good for crops, and from south to north there were no major natural disasters—this was also an important reason for the bumper grain harvest. Therefore, a comprehensive analysis shows that a breakthrough in the historic level of a single crop does not mean a rise in the level of all agricultural crops. Balancing the books for Hubei Province, in comparison with 1984 the province's grain output grew from 22.6 billion kilograms to 23.75 billion kilograms, an increase of more than 1.1 billion kilograms. The output of oil-bearing crops increased by more than 4 million dan, and the output of cotton decreased by 6 million dan. If grain is discounted from the overall reckoning, the increase and the decrease were both low, and the province's total capability in agricultural production did not improve. In the country as a whole, the situation in the great majority of provinces and autonomous regions was similar to Hubei's. In addition, compared with 1984, because the population has increased, the amount of grain per capita has already fallen, making the comfortably well-off goal of 400 kilograms per capita a greater distance away. Therefore, a comprehensive survey shows that although China's total output of grain has developed, the development between various agricultural crops is very unbalanced, this one being high and that one being low. Changes in the output of various crops are only increases or decreases following the changes in the sown areas, and changes following the transfer of important production factors. The fluctuating situation in agriculture has not yet been fundamentally overcome.

What is the situation this year? The party Central Committee and the principal responsible comrades of party committees and governments at all levels are stressing agriculture, and an atmosphere in which the entire party attaches importance to agriculture has already appeared. Because our foundation is weak and our financial resources are limited, the input of funds and materials can only be rigidly maintained at last year's level. Also, the positive factors last year that attracted the peasants to the planting of grain—the rise

of the contracted fixed quota purchasing price for grain and the rise of the market price for grain—have already vanished. The market's grain price is now falling, thereby inhibiting the peasants' enthusiasm for planting grain. Therefore, the situation in agriculture is still grim.

Policies Must Be Implemented One by One

Over the past two years the central authorities have formulated many policies for developing agriculture, and these policies have played a big role in arousing the peasants' enthusiasm and promoting the development of agriculture. However, many policies have not been completely implemented, and their functions have not been completely displayed. If, over the next several years, we implement these policies one by one, a new breakthrough in agriculture will certainly be achieved ahead of time.

For example, in readjusting the industrial structure, there is the policy of arranging input in line with the proper order of importance of agriculture and tilting toward agriculture. This year's investment in agricultural capital construction still only accounts for three percent of the state plan's total investment. On 5 January authoritative sources announced that this year there would be a newly added investment in agriculture of 1 billion yuan. The announcement evoked large repercussion. Agricultural departments hope that the state's input in agriculture will be restored to a rational, appropriate proportion as quickly as possible.

An all-China agricultural work conference held the year before last proposed that an agricultural development fund be raised from seven channels. After a year of practice, the ideal results have not been obtained. Many provinces and autonomous regions reported: "Many township and town enterprises have closed their doors, some individual households evade taxes, and the tax departments cannot collect taxes. How can an agricultural fund be raised?" In some financially subsidized counties, tax revenue is listed in the financial budget for the exclusive use of wages and food, and it cannot be taken out for agricultural construction. Hunan Province reported that, according to its books, it should have raised 140 million yuan from the seven channels, but last year it raised only 30 million yuan, less than a fourth. According to a survey made by the Ministry of Agriculture, the agricultural development fund raised last year in all places only amounted to 30 percent of the planned figure, a very big shortfall. With the state having difficulties and the localities also having troubles, the question of how, in the final analysis, the agricultural development fund is to be raised requires conscientious study and implementation. At present, rural area grain cannot be sold, the state's granaries cannot be filled, and the stored grain cannot be transferred. In Jingzhou Prefecture, Hubei, and Changde Prefecture, Hunan, there are more than 1 billion jin of grain that have not been purchased and stored. There are funds to purchase this grain; the problem is that the grain departments cannot bear the interest and the extended repayment penalty.

Thus the quantity of grain is limited, and the banking side says: When the interest rate on deposits rises, how can the interest rate on loans not rise? Each side has its own reasons and troubles. This extremely urgent problem even more requires the state's overall planning and solution.

Provided we face the actual difficulties of agriculture and the peasants, implement the policies one by one, and solve specific problems one by one, we will be able to constantly arouse and protect the peasants' enthusiasm. Only in this way will we be able to achieve as early as possible a new breakthrough in grain production and in all of agricultural production.

Integration of Technology and Materials Is the Key to the Scientific and Technological Flourishing of Agriculture

Agriculture's hope lies in science and technology. This year the Ministry of Agriculture will launch activities for the Year of Agricultural Scientific and Technological Popularization, vigorously disseminating the results of scientific research and the practical technologies for agriculture. The greatest difficulty in the popularization of science and technology and the scientific and technological flourishing of agriculture is the insufficiency of scientists and technicians and the insufficiency of funds. In the country as a whole, 40 percent of the townships do not have technological popularization stations and 50 percent of the agricultural counties do not have popularization centers. The agroscience operating expenses in many counties are only sufficient to pay wages, and the scientists and technicians do not have the money to make business trips to the countryside. Over the past several years the agricultural technology popularization departments in some places have integrated technologies and services. At the appropriate times they have organized and supplied some chemical fertilizers, agricultural chemicals, and agricultural films, thereby integrating technology and materials. They have changed the situation in which "those who are fighting (the agrotechnicians) do not have rifles (materials), and those who have rifles are not fighting." To effectively popularize agrotechnology and also to accumulate some funds, to improve the life and working conditions of the agrotechnicians at the basic level, in order to share with the state some of the difficulties, is an excellent practice. Last year the State Council issued a document praising this practice and stipulating the material requirements for "stripping and slicing" in the guaranteeing of technological services, making the business of a service nature of agricultural technology departments exempt from taxation. But in some places this policy will not do. Some comrades say, "Documents are all well and good, but I only listen to what my immediate superior says," causing a situation in which the business nature of the basic-level agrotechnological station is either paralyzed or lopped, and from first to last cannot get going. Compared to this, the "group contract" pioneered by Hebei Province integrates administrative leadership, technicians, and materials supply, and the technological contracts for wheat

had the effect of increasing output by more than 20 percent. At an agricultural work conference, some comrades from the provinces and autonomous regions said, "For the leaders to make agriculture flourish with science and technology, first they must integrate technology and materials, learning from the experience of Hebei and resolving the contradictions of 'two pieces of skin' between technological popularization and materials supply." By breaking through the technical barrier of technology-materials integration, the level of the scientific and technological flourishing of agriculture will greatly rise and there will certainly be a new breakthrough in agricultural production!

Increase in Flue-Cured Tobacco Procurement Prices

*90OH0478A Beijing JINRONG SHIBAO in Chinese
17 Feb 90 p 2*

[Article by Wu Tao (0709 3447) and Liu Caiwang (0491 1752 2598): "Provincial Tobacco Monopoly Bureau and Price Bureau Issue Notice Increasing Procurement Prices of the Province's Nine Grades of Flue-Cured Tobacco"]

[Text] In order to stabilize production of flue-cured tobacco and make up for tobacco-growing peasants' losses resulting from the tremendous rise in prices of flue-cured tobacco means of production, acting in the spirit of relevant State Council documents, and following provincial government approval, on 8 February the provincial Tobacco Monopoly Bureau and the Price Bureau issued a notice of increase in procurement prices of nine grades of flue-cured tobacco beginning with new tobacco marketed in 1990. The notice also set uniform support payment standards for tobacco production. Procurement prices for these nine grades of flue-cured tobacco are as follows: the prevailing price per 50 kilograms will increase from 142 to 160 yuan for third grade intermediate yellow tobacco; for fourth grade intermediate yellow (the standard grade), and for second and third grade top yellow, the price will increase from 90, 126 and 80 yuan respectively to 105, 145, and 95 yuan. For fifth grade intermediate yellow, and fourth grade top yellow, prices will increase from 60 and 50 yuan respectively to 65 and 60 yuan. For sixth grade intermediate yellow, the price will increase from 35 to 38 yuan; and for third grade and last grade green yellow, prices will increase from 10 and 5 yuan respectively to 12 and 8 yuan.

In view of two previous readjustments in the procurement price of flue-cured tobacco, which increased substantially the procurement price of top quality tobacco, and widened the price spread for different grades, no change was made this time in the price paid for top quality tobacco.

Article Relates Improvements in Meat Processing

90OH0462A Beijing NONGMIN RIBAO in Chinese
7 Feb 90 p 2

[Text] In the past several years, there has been a rapid development in China's meat processing and cold storage industry to meet the demands of rapid growth in animal and poultry products. According to statistics, commercial departments throughout the country now have 1,473 meat processing and cold storage units, an increase of 362 units compared to the beginning of 1983. Total cold storage capacity is now 2.482 million tons, an increase of 736,000 tons. Our pork, mutton, and beef slaughtering capacity has greatly increased as has our freezing plant capacity. Proper handling of the abundant reserves and slow sales of meat and egg products by adjusting and controlling the meat and egg market has had a positive effect.

To meet consumer demand, meat processing and cold storage enterprises in various localities have in recent years undergone technical renovations. Equipment has been introduced and new technology applied that have expanded meat carving capacity and the capacity to process meat products. At present, shift production [banchan 3803 3934] of carved meat has reached 850 tons, an increase of 250 tons compared to 1983, and shift production of meat products is more than 600 tons, an increase of 200 tons compared to 1983. In the past, poultry meat [baitiaorou 4101 2742 5131] earned the most profit for enterprises, more than 80 percent of the total. Now it only earns about 50 percent of the profits, and for some plants only 20 or 30 percent. The mix of meat products has changed greatly. The Chinese style of braised, cured, salted, stewed, and roasted meat, which in the past constituted 90 percent of the meat products, now only accounts for 35 percent. And now the western style meat products of sausage and ham account for 65 percent of the meat products, of which amount sausages account for 60 percent. The output of high quality processed sideline products is increasing each year and has now reached 75,000 tons, about 15 percent of the total output of sideline products. The small packaging of various meat products, which did not use to exist, reached a peak output of 78,000 tons in 1987. In the processing of egg products, the new technologies of replacing the mud coverings [daiti nibao 0108 2583 3136 0545] and nonlead [wuqian 2477 6884] processing have become popular, and 60,000 tons were processed this way in 1988, the highest amount in the last seven years.

In the last few years, large- and middle-sized meat processing and cold storage enterprises have met the demand to reform their product mix by developing on a nationwide basis technical renovations that emphasized raising technological levels, improving hygiene, increasing the varieties of products, and guaranteeing product quality. The successes have been remarkable. At present, there are now 10 meat-related plants which have been promoted to level-two state enterprises, 22 which

have been promoted to provincial-level advanced enterprises, and 23 have, because of their equipment and management, won from the Ministry of Commerce advanced unit status for commercially run enterprises. Product quality has constantly been improving. By the end of 1988, meat, poultry, and egg products had won some 25 state prizes, two of which were gold medals for meat products, 19 were silver medals for meat products, and two were silver medals for poultry and egg products. There were 248 Ministry of Commerce high quality product awards, 68 of which were for western-style sausage and ham, 123 for Chinese-style meat products, 26 for poultry products, and 29 for egg products.

Increased Sugar Output, End To Imports Urged

90OH0462B Beijing JINGJI CANKAO [ECONOMIC INFORMATION] in Chinese 20 Feb 90 p 4

[By Chen Nan (7115 0589)]

[Text] In 1988, China consumed the high amount of 7.5 million tons of sugar. Sugar imports, which actually came to 3.7 million tons, used up more than \$890 million in foreign exchange.

Why is it that foreign sugar has been imported for the Chinese market for so long? Is it because its quality is superior? No. Imported sugar products contain a great deal of grit, discoloration, gummy substances, germs, mites, and other foreign matter. To comply with international standards, Chinese domestic standards, as well as the food sanitation laws of the Chinese People's Republic, it has to be purified before it can be put on the market or used in the food industry.

Is the price of imported sugar cheap? The answer is no. In May 1988, the price of domestically produced sugar was 1,870 yuan per ton after upward readjustment of the producer price and selling price. The cost, insurance, and freight of imported sugar during the first half of 1988 was \$270 per ton. The cost of processing imported sugar, which localities have bought with foreign exchange, into white granulated sugar is over 1,400 yuan more per ton than it costs to process the same grade of granulated sugar from domestically produced sugar. If this is the case, how can imported sugar dominate the Chinese market and compete with domestically produced sugar?

In 1988, the market was hit with panic buying. Some departments, in an attempt to mitigate the domestic market disparity between supply and demand, imported more sugar in support of various localities. Customs duties for the imported sugar were reduced or remitted. The value-added tax on imported sugar products was also reduced or remitted. As long as the maximum price stipulated by the state was not exceeded, the domestic price of imported sugar could remain high whenever it was bought or sold. According to pertinent data, the per-ton selling price of imported sugar on the domestic market was 600-800 yuan more than domestically produced sugar. With unfair market competition, the imported sugar was selling at a high price and the

domestically produced sugar was selling at a low price. It is really inconceivable and difficult to understand.

Some people in the country are of the opinion that domestic sugar production cannot be increased, that it cannot satisfy domestic consumption, and that it is proper to import sugar to take care of the market. It is hard to believe that domestic sugar production really cannot be increased.

China produces both sugarcane and sugar beets. It is endowed with exceptionally fine geographical and climatic conditions for developing sugar production. By urging peasants to plant sugar crops and giving them our support and by developing the national sugar refining industry, we will be able to satisfy domestic market consumption, invigorate the urban and rural economies, and benefit both the country and the people. The prospects are exceptionally bright.

Beginning in 1978, along with reform and the opening to the outside, the sugar refining industry entered a new period of high speed development. China's annual sugar production, which for a long time had been hovering below the 2 million ton mark, suddenly took off. The 1978 annual production was 2.27 million tons, and by 1986, it was 5.24 million tons. During the 10-year period of reform, it only took sugar production a mere eight years to more than double.

Of the 11 top sugar refining countries in the world today, China ranks in fifth or sixth place. As a result of the 40 years of effort since the founding of the People's Republic, all aspects of the sugar refining industry, including production, scientific research, design, equipment manufacturing, building projects, and personnel training, have now been brought together into an integrated system. We not only have been able to independently develop our own sugar refining industry, we have helped more than 50 Third World countries build sugar refineries. Excluding Taiwan Province, we have now created a formidable industry capable of producing 6.85 million tons of sugar annually. The current nationwide sugar consumption fluctuates at around 7 million tons per year. Since sugar refining is a seasonal industry, if it were to extend its processing time by approximately 10 days each year, a balance between production and sales could be achieved which would completely end the importation of sugar throughout the country. Unfortunately, the sugar refining industry at present suffers from an inadequate supply of sugar. In recent years, annual production has stayed at about the 5 million ton level.

In view of this, making a great effort to develop the production of sugar crops is a fundamental requirement for rapidly developing China's output of sugar. China is a huge country of 1.1 billion people. Since the per capita amount of cultivated land is relatively small, developing the production of sugar crops cannot simply rely on expanding the amount of land under cultivation. The only way it can be done is to go all out to increase the per

unit yield. This will require spending a great deal of effort on increasing agricultural investment in the sugar crop base.

China at an early point decided on a policy of "sugar having to establish itself domestically." This has guaranteed that the sugar refining industry would develop swiftly during the 10 years of reform. We are now still importing large quantities of sugar because our failure to exercise macroeconomic regulation. Following are three ideas that relate to this.

First is the idea of using imported sugar to balance the market but not developing domestically produced sugar to do this. At first glance, this measure would seem temporarily to be able to stabilize the market. However, as more than 10 years of experience has shown, when the international price of sugar is low, we think of importing large quantities, and when they are high, we think of developing domestic production. This has led to market fluctuations and has had a traumatic effect on the national industry. It has been an extremely profound lesson.

According to statistical data on the international sugar industry from authoritative statistical and information organizations, the majority of the sugar produced in the world is consumed domestically in the country in which it is produced. The international sugar market is actually a "surplus sugar market." It constitutes only a small portion of the world output. Forecasting what the balance will be between world sugar production and sales and the amount of sugar output is highly susceptible to error because the international market price of sugar changes so easily. Because more and more countries are becoming self-sufficient, the world sugar market is becoming even smaller, and in the future, the high and low fluctuations of international sugar prices will be even greater.

Second is the idea sugar crops should be fixed as a low-price raw material and the price forcefully held down. Sugar crops are a major raw material of the food industry. The sugar refining industry is a basic industry, a basic industry that is not being developed. We do not know where to begin with the development of sugar as a basic raw material for the food processing industry. The price of sugar in China has not changed in more than 20 years. A kilogram of sugar is cheaper than a kilogram of apples. It would seem at first glance that our policy of low sugar prices would be useful in controlling rises in the price index. In fact, sugar as an item only constitutes 1.2402 percent of the national price rise index, next to nothing. In addition, even though the price of sugar has not risen in more than 20 years, that has not kept the price of food items made from sugar throughout the country from rising. The policy of low sugar prices has repeatedly made it impossible for the national sugar refining industry to bear the responsibility of development. This has led to the unusual phenomenon of

importing high-priced sugar, causing consumer frenzy and a feverish expansion of township and town food processing establishments.

At the same time that we are carrying out macroeconomic regulation and control and balancing the relationships between overall supply and overall demand, we can give full consideration to adjusting the price of sugar at a rational level, and basically stop importing sugar by relying on the strong industrial base and advanced productive forces already in place in the state-operated sugar refining industry.

Third is the idea of only focusing on large-scale investments in capital construction for the sugar refining industry and not focusing on the construction of agricultural bases for sugar crops. Fundamentally, the development of the sugar refining industry is dependent on the vigorous development of agricultural production of sugar crops. It is not a question now of building sugar factories. It is a question of increasing the output of sugar crops. However, there is a widespread eagerness now to build sugar factories, and insufficient enthusiasm for opening up agricultural bases for sugar crops. This is worth our serious consideration.

Increasing the agricultural output of sugar crops has to rely on higher per unit yields. At present, China's per unit yield for sugar crops is relatively low and has the potential for being greatly increased. Using advanced science and technology for planting sugar crops, we can increase the present 1 ton per mou yield of sugar beets to 2 tons. The present 3 ton per mou yield of sugarcane could be increased to 4.5 tons. In this way, using the present amount of land, we could increase the sugar crop output by more than 20 million tons and the sugar output by about 2 million tons. Agriculturally, we must increase sugar crop output without expanding the planted area by relying first on policy, second on science, third on investments, and fourth on a system of strong organization and control.

Improved Varieties of Crops Grown in Large Area

OW1603143590 Beijing XINHUA Domestic Service
in Chinese 0226 GMT 28 Feb 90

[By reporters Zhao Peng (6392 7720) and Jin Jiasheng (6855 0857 5116)]

[Text] Beijing, 28 Feb (XINHUA)—The acreage of hybrid rice, hybrid corn, and major improved varieties of wheat, which plays a major role in China's grain production, will be further expanded this year. The acreage of these crops is expected to exceed 720 million mu this year, or 43 percent of the country's total grain crop acreage. This is an important measure taken by the Ministry of Agriculture to ensure a continuous increase of grain production this year.

According to recent news from departments concerned with the Ministry of Agriculture, the acreage of hybrid rice in the country will be 292 million mu, 228 million

mu more than the last year. There are plans to grow hybrid corn on 272 million mu of land, an increase of more than 10 million mu over last year. Acreage of the Shannong [7104 6593] 7859, Lumai [7627 7796] No. 7, Zhengzhou [6774 1558] 891, and other major improved varieties of wheat reached 210 million mu last fall, an increase of more than 10 million mu over the previous year.

A strong mother breeds strong children, and a fine seed breeds a strong seedling; one improved seed yields a thousand good grains. Selecting improved crop varieties and growing them in a large acreage is one of the key means of using agrotechnology to rapidly increase agricultural productive forces. According to an expert's estimate, the increased grain yields due to improved crop varieties accounted for more than 20 percent of the total grain increase in recent years. The hybrid rice variety developed by Yuan Longping, father of hybrid rice in China, yields over 50 kilograms of rice per mu more than ordinary varieties. From 1976 to 1988, the country grew hybrid rice on more than 1.2 billion mu of land. The per mu yield of the hybrid rice rose from 300 to 350 kilograms to more than 400 kilograms in this period, increasing rice production by a total of 60 billion kilograms, enough to feed approximately 150 million people for one year. Last year, China's hybrid rice acreage reached 201 million mu, exceeding 200 million mu for the first time, with an average per mu yield of 440 kilograms. Total hybrid corn acreage exceeded 230 million mu in both 1988 and 1989. The per mu yield of this hybrid corn is 50 to 100 kilograms higher than ordinary varieties. Since growing the Shannong 7859, Lumai No. 7, Zhengzhou 891, and other major improved varieties of wheat began a few years ago, the average per mu increase has been more than 25 kilograms.

Following large acreage growing of hybrid rice, hybrid corn, and major improved varieties of wheat, many peasants have been more conscious of using improved varieties of crops. The traditional thinking of sowing whatever seeds that are available has become history.

To meet the needs arising from growing improved varieties of crops, China has established bases for the experimental growing of improved varieties of rice, corn, and wheat. In the last few years, the amount of improved seeds of hybrid rice, hybrid corn, and various varieties of wheat annually supplied to the vast numbers of peasants by the more than 2,200 seed companies across the country accounted for about 70 percent of seeds of other varieties [as received].

Rice, corn, and wheat are the major grain crops in China. In 1989, the total acreage and output of these crops accounted for about 70 and 80 percent of the total grain acreage and output. Accelerating the expansion of acreage of improved varieties of rice, corn, and wheat is closely related to ensuring a continuous increase in China's grain production.

Henan Institutes Measures To Support Agriculture

90CE0015A Zhengzhou HENAN RIBAO
in Chinese 15 Feb 90 pp 1, 2

[Article by Zhao Kezhong (6392 0344 0022) and Yan Jingye (7051 2417 2814): "Eleven Departments, Bureaus, and Commissions in Henan Province Draw Up Measures To Support Agriculture, and Firmly Establish the Guiding Ideology That Agriculture Is the Foundation of The Economy"]

[Text] The following 11 departments, bureaus, and commissions in Henan Province have answered the provincial party committee and government's call to focus their energies on reinforcing and handling agriculture better, by drawing up favorable policies and measures for agriculture in 1990 at a provincial working conference on rural affairs:

The Planning Commission Has Put Into Effect Plans To Support Agriculture

The following favorable plans for agriculture have been put into effect in areas, such as capital construction investment, materials, foreign exchange for imports, imported foreign capital, and S&T [science and technology] to promote agriculture: to guarantee that 142 million yuan is invested in irrigation works for farming and forestry; to provide over 178,000 tons of rolled steel for agriculture and farm machinery, 47,000 tons of pig iron for agriculture, and 95,000 tons of cement, 60,000 tons of which will be subsidies for sinking wells; to give priority to planning and assigning the supplies of "the three major building materials of steel, lumber, and cement" that are needed for key provincial agricultural and irrigation capital construction projects; to give more priority in supplying "the three major building materials" to ordinary agricultural projects and irrigation works than to industrial projects; to increase the outlay for popularizing agricultural demonstrations 50 percent over that for 1989; to invest 1 million yuan in agricultural S&T capital construction projects.

Industrial construction in support of agriculture has been intensified, and steady increases in supplies of the agricultural means of production have been ensured. Power: At least 4.5 billion KWh of power have been guaranteed to rural areas in Henan in 1990. Local power plants have made 35,000-Kv power transmission projects their agricultural power construction priorities. The favorable policy of tax-exempt power construction funds will continue in effect for agricultural production power, and industry must give up 15-20 percent of its power during the busy farming season. *Chemical fertilizer*: Provincial financial foreign exchange subsidies will be given for importing, and agricultural departments will make managers and factories voluntarily absorb and assume the joint responsibility for losses caused by higher fixed prices for, supplies of high-grade chemical fertilizer. At the same time, plans have been made to upgrade the technology of small local chemical fertilizer

plants. *Pesticides*: Plans have been made to invest 23.7 million yuan in upgrading technology. *Farm machinery*: Plans have been made to manufacture 50,000 water pumps, provide them with a corresponding amount of power, and change their method of subsidization from discounted loans to guiding, one-time subsidies of 500 yuan per shallow well. An agricultural development fund of 170 million yuan is going to be collected throughout Henan.

The Finance Department Has Drawn Up Favorable Policies To Support Agriculture

Over 477 million yuan of provincial finances are going to be used for agricultural production in 1990. This includes over 148 million yuan, or 8.9 percent more than in 1989, to help pay rural production expenses, and over 104 million yuan, or 5.5 percent more than in 1989, for irrigation works for farming and forestry. Plans have also been made to spend over 100 million yuan of special funds.

Favorable policies will remain in effect for enterprises that produce agricultural materials and for the eight major types of rural stations. The following incomes earned by the following eight major types of rural stations will be exempt from business, product, appreciation, and income taxes prior to the end of 1992: income earned by agrotechnical stations from helping peasants popularize agrotechniques and training agrotechnicians; income earned by seed stations from popularizing and selling the peasants improved seeds; income earned by farm management stations from helping township and village enterprises manage their financial affairs, improve their management and administration, as well as to train accountants; income earned by orchard stations from helping peasants develop orchards and supplying fruit and saplings; income earned by livestock veterinary stations from epidemic prevention, curing sicknesses, and producing and selling various veterinary medicines and veterinary medical apparatus and instruments; income earned by farm machinery stations from plowing, planting, harvesting, threshing, and repairing and supplying parts for farm implements for peasants; income earned by irrigation stations from drilling wells, irrigating, and building water conservancy projects for peasants, and producing and selling cement and prefabricated components for the construction of water conservancy works; income earned by power management stations from installing power lines for peasants. In addition, the income earned by newly built seed companies above the county level from selling improved seeds, will be exempt from income taxes for three years, and the income earned by existing seed companies above the county level from selling the improved seeds that they breed themselves, will be temporarily exempt from income taxes until 1992. Moreover, tax exemptions and reductions will remain in effect for rural collective industrial enterprises, poor families, and rural disaster areas.

The Henan Branch of the Agricultural Bank Has Taken Practical Steps To Invest More Money in Agricultural Loans

Plans have been drawn up for Agricultural Bank (AB) branches and credit agencies throughout Henan to loan 2.58 billion yuan more in 1990, or 17.3 percent more than in 1989, to be focused on helping peasants buy chemical fertilizer, pesticides, seeds, diesel oil, and agricultural plastic film, and on township enterprises with good economic efficiency. Commercial loans will give primary support to special agricultural resources fund needs. Moreover, 375 million yuan, or 6.7 percent more than in 1989, of special agricultural loans have also been arranged throughout Henan for 1990.

Henan Supply and Marketing Cooperatives Have Given First Priority To Serving Agriculture

In addition to doing everything possible to guarantee supplies of chemical fertilizer, pesticides, and agricultural plastic film, 20 million yuan is also going to be used to support the development of cotton production, 5 million yuan of which will be used for awards to unit and individual contributions and related expenses. In addition, cotton and flax departments throughout Henan are going to give about 11 million yuan of their profits to agricultural department seed multiplication farms. Management links and discrepancies between import and sales rates for locally produced and marketed minor chemical fertilizers will be reduced, and peasants can get them at a fair price of about 10 yuan a ton. The 107 existing "crop hospitals" that are focused on S&T promotion of agriculture and run by agricultural resources departments throughout Henan, will be increased to 200 in 1990.

The Science and Technology Commission Has Focused Its S&T Work On Rural Areas

Decisions have been made on the following plans: to regard again in 1990 the 2 million yuan taken from three S&T funds and all of the S&T loans planned by the Henan branch of the AB as a special development fund focused on measures that are favorable to agriculture; to select and recommend to rural areas throughout Henan 100 of Henan's significant S&T achievements that are suited to advanced technology, can be put into operation in the vast rural areas, and can produce quick results, and to directly emphasize 20 of them in 1990; to build a 5.5-million-mu high-yield, high-efficiency, multipurpose demonstration base for grain, cotton, and oil that can increase estimated grain output by over 100 million kg, cotton output by 5 million kg, and output value by 200 million yuan; to invest 3 million yuan in "spark plan" projects, finish 20 key projects, reach the goal of a 2-billion-yuan output value, complete 50 equipment-development tasks, serve township enterprises, and train 100,000 "spark" personnel; to emphasize the job of giving S&T support to Henan's 30 poor counties; to arrange a 2.7-million-yuan fund for tackling key problems in major S&T projects; to invest 700,000 to

900,000 yuan in planning 50 industrial scientific research tasks and new products to support agriculture.

The Commercial Management Commission Has Emphasized Honoring of Agricultural Resources Commitments and Farm Produce Sales

Henan grain departments are going to rationally fulfil the specified three-year grain and oil fixed-purchasing contracts assigned by the provincial government, that they have signed with all households and farms. The "three-link" policy of fixed grain and oil purchasing, award-sales of chemical fertilizer and diesel oil, and providing fixed forward purchasing funds, is going to continue in effect. Model grain-selling households will be given priority in receiving bank loans and supplies of agricultural resources. Provided the state assigns Henan Province over 400,000 tons of fixed-price diesel oil according to plan, the Commercial Management Commission will cut the amount of oil used by other industries, guarantee that the fixed price for 400,000 tons of agricultural diesel oil will not change, make up the difference between fixed and negotiated diesel oil prices for peasant households which do not want to buy award-sale diesel oil, and take various steps, such as transferring to other localities, increasing stocks, and making procurement appointments, to resolve the difficulties in selling hogs. Priority consideration will be given to specialized and key hog-raising households in areas such as procurement and feed supply.

The Foreign Economic Relations and Trade Commission Has Given Vigorous Support to Farm Exports That Earn Foreign Exchange

More farm produce export bases will be built for processing exports, such as live hogs, cattle, and sheep; leather, rabbit fur, fur and leather goods, hair and intestine commodities, feathers and down, carpets, and meat, for the livestock and processing industries, and exports, such as peanuts, sesame, mulberry cultivated for sericulture, garlic, asparagus, Chinese medicinal materials, lumber, tea and other leaves, and perfumes and spices, for the cultivation industry. Agricultural materials that Henan is badly in need of, such as chemical fertilizer, pesticides, and agricultural plastic film, are being actively imported, and improved breeds of livestock, poultry, and seeds are being introduced from elsewhere. More consideration is being given to planning projects to earn foreign exchange from farm exports, and help is being given in various ways to fund the building of projects that earn foreign exchange from farm exports.

The Material Supply Department Has Worked Hard To Do a good Job of Supplying Agricultural Resources

In provincial centralized distribution of materials, priority will be given to planning capital construction of agricultural production and water conservancy projects, and to the production needs of the major products that support agriculture, such as chemical fertilizer, pesticides, agricultural plastic products, tractors, diesel

engines, irrigation and drainage machinery, farm implements, and farm irrigation tools. All agricultural materials within plans will be given special consideration as to variety and specifications. A number of additional county-level materials markets and rural materials supplying network points will continue to be built, and efforts will be made to have at least one materials market per county (city) within the next two years.

The Petrochemical Industry Department Has Done a Good Job of Producing Chemical Fertilizer and Pesticides

Chemical fertilizer and pesticide enterprises have made the following plans to upgrade their technology in 1990: to invest 73 million yuan in chemical fertilizer production, guarantee a number of projects, and lay particular emphasis on planning a number of others; to invest 52.14 million yuan in pesticides production, and to plan 11 construction projects for pesticides, pesticide intermediates, and major raw materials; to jointly organize cooperative production of coal, phosphates, and ferrous sulphates with the concerned prefectures and cities so that they can work at full capacity.

The Electric Power Bureau Has Guaranteed the Power Needed for Agricultural Production

The power needed for agricultural production processes, such as fighting drought, draining flooded fields, and threshing summer harvests, and for rural seasonal work, has been guaranteed.

Rural power quotas have been assigned all the way down to the township level. Based on the current level of 11,300 KWh of centrally-distributed power to support poor areas, an additional quota of 170 million KWh of energy generated from coal bought with self-raised money will be assigned to 30 poor counties and four special-consideration counties.

The Machine-Building and Electronics Department Has Organized Production and Supplies Based on Agricultural Needs

Farm machinery manufacturers will emphasize production of small power machinery, farm implements, and motor-pumped well accessories, stress quality control, and strive to produce more high-quality and famous-brand products. An output value of 2 billion yuan, or 40 percent of the Machine Building and Electronics Department's output value, is planned for farm machinery throughout Henan. A system of production licences and popularization permits will be put into effect for products, such as small tractors and diesel engines, that are produced on a large scale. Farm machinery S&T achievements will be commercialized faster to ensure that more than 50 percent of them are transformed into commodities, and that more than 80 percent of digested and absorbed S&T achievements are used for making products in China. Based on this, plans have been made for 50 new-product development projects for farm machinery, and for 80 percent of new products to be put

into production. In 1990, 56 million mu will be tractor-plowed, 46 million mu will be machine-harrowed, 17 million mu will be machine-harvested, stalks will be tractor-plowed into the soil on 4.6 million mu, chemical fertilizer will be applied intensively on 6 million mu, over 80 percent of rice and wheat will be machine-threshed, tasks will be assigned and carried out level by level, and 2,097 township-level service centers will be set up. Plans have been made in 1990 to train 50,000 tractor drivers, 2,000 farm mechanization management cadres at all levels, 3,000 peasant farm machinery technicians, and 5,000 farm machinery mechanics, and to improve the performance of 5,644 farm machinery maintenance stations. Agricultural diesel oil management will make distribution, management, and oil-saving "a coordinated process." Farm machinery companies at all levels throughout Henan will organize 1.4-billion-yuan of goods supplies, or six percent more than in 1989, and give priority to ensuring that Henan farm machinery products account for about 60 percent of their sales.

Henan Increases Share of Hong Kong Hog Market

*90OH0479A Zhengzhou HENAN RIBAO
in Chinese 27 Feb 90 p 1*

[Article by Shi Maijiu (1597 7796 0036): "Marked Rise in Quality and Sale Price of Province's Live Hog Sales to Hong Kong. Need for Higher Percentage of Fine Breeds Amidst Fierce Competition"]

[Text] **Editors Note:** *Thanks to the efforts of both peasants and traders during 1989, as well as various changes in the Hong Kong live hog market, which provided us favorable opportunities, the quantity, quality, and average sale price of live hogs that Henan Province provided Hong Kong increased. This is a cause for joy.*

However, we should not become intoxicated about past achievements. Because of changes in life style, the Hong Kong market's ability to accept live hogs cannot increase very greatly, and it will become increasingly picky about pork quality. Live hogs produced abroad, in Hong Kong and Taiwan, and inside China will continue to compete fiercely for sales in Hong Kong markets. Our percentage of fine breeds of live hogs provided to Hong Kong remains low.

During this new year, both peasants and traders will have to make concerted efforts, make the focus of their work an increase in the percentage of fine breeds of live hogs provided Hong Kong, conscientiously reduce losses from substandard and dead hogs, further consolidate and expand the province's share of live hogs in Hong Kong markets, and effectively increase returns from the province's live hog production.

The Wufeng Company in Hong Kong reports that the quantity, quality, and average sale price of live hogs that Henan Province provided Hong Kong markets in foreign trade during 1989 increased greatly over the previous year.

During 1989, the province provided a total of 300,342 live hogs to the Hong Kong market, total sales for the year increasing by more than \$2.3 million over the previous year. The average sale price per live hog was \$103.68, \$7.60 more than in the previous year. Among the live hogs provided Hong Kong, superior breed hogs accounted for 30.24 percent, up 11.94 percent from 1988. The substandard and death rate was 1.88 percent, down 0.15 percent from 1988. The decline in the substandard and death rate alone reduced the country's losses by \$46,500.

The increase in the percentage of superior breed live hogs that the province provided Hong Kong reduced the quality gap between Henan's live hogs and hogs produced in foreign countries, Taiwan, and Hong Kong, and increased the province's competitiveness in the Hong Kong market. This was the main reason for the increased sales during 1989. Historically, the Hong Kong market has praised the large numbers and premium quality of the live hogs that Henan has provided Hong Kong. However, since the beginning of the 1980's, as a result of the efficient actions taken by numerous fraternal provinces and regions, which have tremendously increased both the quantity and quality of live hogs provided to Hong Kong, Henan Province has faced the danger of being squeezed out of the Hong Kong market in the competition. In view of this situation, peasants and traders in the province coordinated closely to change their traditional ways of doing business. They intensified the production of live hogs on large hog farms, gradually edging out hog purchases from countless households. During the past two years, more than 50 new (or expanded) large hog farms were built throughout the province, the hogs provided by these large farms accounting for approximately 70 percent of the province's sales to the Hong Kong market. The increase in quantity, and the improvement in quality changed the province's formerly slack sales to brisk sales of live hogs to the Hong Kong market.

In addition, as a result of a rise in hog prices in Thailand, another major supplier of live hogs to the Hong Kong market, Thai exports to Hong Kong were reduced because of inability to make a profit. Taiwan hogs must be shipped a long way to Hong Kong, so the percentage of substandard and dead hogs is high. Furthermore, in recent years the Japanese frozen pork market has become brisk, so most of Taiwan's hogs are sold to Japan in the form of frozen pork. During 1989, the volume of foreign hogs and hogs from Hong Kong and Taiwan sold to the Hong Kong live hog market was 70 percent less than in 1988. This provided Henan province with an opportunity to sell more live hogs to Hong Kong.

A hog dealer from the Wufeng Company in Hong Kong said that the life of people in Hong Kong is becoming more and more westernized, so there demand for pork will not increase year by year. In the future, competition will continue fierce in the Hong Kong live hog market as a result of saturation.

Henan Takes Stock of 'Animal Husbandry Year' Achievements

90OH0478D Zhengzhou HENAN RIBAO
in Chinese 12 Feb 90 p 1

[Article by Correspondent Li Tifeng (2621 7555 6912) and Reporter Meng Qianjin (1322 0467 6651): "All-Points Investment During 'Animal Husbandry Year'"]

[Text] Every year Jilin Province shipped out approximately 10 billion jin of grain, and shipped in between 200,000 and 300,000 head of hogs, but this has become a thing of the past. The arrival of the first spring of the 1990's brought happy news: For the first time, Jilin Province was self-sufficient in hogs, and the number of sheep, cattle, and poultry raised, output of livestock and poultry products, and the gross output value of animal husbandry all reached all-time highs.

Jilin, a primarily agricultural province, finally made a giant stride toward the goal of establishing independent mainstay industries in which the building of animal husbandry and grain production are mutually coordinated, finally playing a "movement" in a symphony whereby the development of animal husbandry advances an on-the-spot transformation of grain. Looking back on the 365 li long road traveled during "livestock year," Jilin Provincial Animal Husbandry Bureau director Liu Shaonian [0491 4801 0341] said with feeling: "In view of the tightening of the money supply, and the shortage of capital, it was no simple matter for the Bank of Agriculture and credit cooperatives to be able to increase animal husbandry loans by 127 million yuan (up 61 percent over 1988), issue a cumulative 477 million in animal husbandry credit (up 28 percent from 1988), and increase animal husbandry loans as a percentage of agricultural credit from 15 to 23 percent, surpassing the output value of animal husbandry as a percentage of the gross output value of agriculture."

Indeed, at the same time that the Bank of Agriculture and credit cooperatives at all levels in Jilin Province were supporting grain production and fighting disaster to harvest a bumper crop in 1989, they were racking their brains and using all possible methods to increase capital investment during "animal husbandry year" as follows: From increased credit funds, they allocated 97.38 million yuan in loans for animal husbandry to be used for investment in, and the technical transformation of, the breeding industry in state-owned agriculture; for the expansion of livestock and poultry production by households specializing in the raising of livestock and poultry; for the building of nonstaple food bases in large- and medium-sized cities; and for a Sino-Thai joint venture in "assembly line" chicken raising. A production expense fund amounting to more than 50 million yuan in withholdings from peasant households was assembled, enabling an attendant reduction in loans for grain production payments, thereby freeing financial resources for peasant households use in the development of animal husbandry. An audit of unused credit was made, which

activated 350 million yuan of other than regular idle agricultural loans. Animal husbandry received priority in the allocation of these funds, with emphasis placed on relieving problems resulting from the lack of intermediate and long-term loans. A total of 520 million yuan of savings was taken in, all of the increase being applied in a tilt toward animal husbandry.

Support for production, processing, and sales in a "continuous process." Support was given the development of livestock and poultry production, linking separate segments to form a whole that made series commodity production possible. Support was also provided to restrain local jurisdictions from rushing headlong into projects without due consideration, and from engaging in improper competition and internal waste. Banks instituted agricultural, industrial, and commercial loans and credit cooperative associated services to promote building in a coordinated process. For example, in the raising of geese in Shulan, Nongan, and Fuyu counties, agricultural loans supported peasant households in raising the geese, and industrial and commercial loans provided supplementary support for the purchase, processing, and marketing of dressed geese and goose down, thereby increasing the value of a series of products.

Support to companies (farms and stations) in charge of households. Loans were made to livestock and poultry companies for the purchase of breeding livestock, breeding poultry, and fertilized eggs, and to provide funds for services before and after production such as immunizations, procurement, and marketing. Working in conjunction with livestock and poultry companies, households specializing in the raising of livestock that understood techniques, were able to manage, and were credit-worthy were selected for help in improving production conditions including the provision of livestock shelters, young animals, feed, and immunizations. This enabled companies (farms, and stations) and peasant households to depend on each other and to develop in coordination. A 3.17 million yuan loan from the Bank of Agriculture in suburban Jilin City supported the construction of two dairy products plants. The dairy products plant served, in turn, as a turnkey for the development of 400 households specializing in dairy cattle in the formation of serialized production base for dairy products, which now has an output value of 3.8 million yuan, and pays 420,000 yuan in profits and taxes.

Support for the economic development of livestock and poultry groups. The Jilin Provincial Livestock and Poultry Corporation took on the responsibility of building a fine strain laying hen breeding system throughout the province, and it has already formed a group economic model consisting of 15 large and medium size chicken raising enterprises. In order to help this livestock and poultry group raise its economic level and move ahead more rapidly, both the Bank of Agriculture and credit cooperatives issued loans totaling 16.7 million yuan. This enabled the group to become more intensive, more commodity oriented, and to produce

greater returns, as well as to be rather strongly competitive inside and outside the province, and to have potential for development.

Support for livestock production on a proper scale. In order to change the excessively scattered nature of livestock and poultry production, and the raising of livestock primarily for personal consumption, as well as to solve problems of too large scale operations and poor returns by some specialized households, the Bank of Agriculture in all jurisdictions worked together with livestock control units and economic diversification units in the selection of peasant households to raise livestock on a proper scale. Scale of livestock raising, the amount of funds to be raised, and the size of loans to be obtained were then set on the basis of peasant households' financial, technical, and managerial capabilities. Input-output ratios were calculated on the basis of the pattern of changes in the market situation, and the optimum benefit point was calculated to provide peasant households guidance on the proper scale of livestock raising, and the intensivity of operations.

Support for the introduction and spread to use of scientific and technical advances in livestock raising. First was support for the introduction and spread of techniques for breeding fine strains of livestock and poultry. One example was Baicheng Prefecture's introduction of "Luodong First Generation," and "Luodong Second Generation" wool and meat producing sheep, 14,000 of which are now in inventory, and have produced a profit of 1 million yuan making the prefecture an important sheep breeding base in Jilin Province. The provincial chicken breeding farm introduced fine breed laying hens from France; and Yanbian and Liuhe prefectures introduced American grade AA eating chickens for spread throughout the area to lay a foundation for the building of a "chicken king province." Second was support for the introduction of advanced technical and managerial experience. One example was the Zhengda group joint venture with Thailand to build an assembly line chicken farm, and for the spread of scientific hog raising methods centering around "four fines and four improvements," which yielded advanced managerial information.

In supporting work during "animal husbandry year," the Bank of Agriculture and credit cooperatives at all levels in Jilin Province devoted continuing attention to improved credit management, actively developing services for animal husbandry, and doing a good job in evaluating and validating animal husbandry projects. They rigorously evaluated and validated, level by level, all new animal husbandry projects in accordance with project management methods. They also asked the advice of experts concerned, and they offered pointers on ways to complement or revise product markets, skills and technology, returns on capital, and investment recovery periods to insure the scientific authenticity and feasibility of decisions on investment in construction. They also took part in the administration and management of enterprises and other loan recipients. During the past year, the Jilin Bank of Agriculture and credit

cooperatives have made fullest use of the favorable conditions that their own wide contacts and good channels of information provide to supply the various services that livestock enterprises and peasant households need before, during, and after production. These have been welcomed by people in the animal husbandry business, and government at all levels.

Hunan Rice, Cotton Area

40060042E Changsha HUNAN RIBAO in Chinese
9 Mar 90 p 1

[Summary] In 1990 the planned rice area in Hunan will exceed 28 million mu (hybrid rice 7 million mu), and the planned cotton area is 1.8 million mu.

Hunan Cotton Area, Price

40060042A Changsha HUNAN RIBAO in Chinese
17 Feb 90 p 1

[Summary] In 1990 Hunan Province plans to sow 1.8 million mu to cotton, produce 2 million dan and procure 1.7 million dan. In 1989 Hunan produced 1.34 million dan of cotton and procured 950,000 dan. In 1990 the procurement price for every 50 kilograms of ginned cotton will increase from 236.42 yuan to 300 yuan.

Rural Technology Markets Beginning To Form

90OH0479B Beijing NONGMIN RIBAO in Chinese
14 Feb 90 p 1

[Article by Correspondent Zhong Yanping (6988 3601 1627)]

[Text] The major bridge connecting science and technology with production—the country's technology markets—are developing steadily. During 1989, technical contracting business volume increased 12.38 percent over 1988 reaching 8.146 billion yuan. This included 20,014 technical transactions for things used in the development of agriculture having a contract value of 478 million yuan, up 65.9 percent from the 288 million yuan of 1988.

The country's technology markets have begun to develop operating systems at multiple levels, under various systems of ownership, and in different forms throughout the country, business activity developing from the domestic market to the Asia-Pacific region, North America, and West Europe. In the domestic market, large- and medium-sized industrial enterprises are the biggest sellers, but as a result of the influence of the macroeconomy, township and town enterprises did 339 million yuan worth of technical transactions during 1989, 38 percent less than in 1988. As a result of their assimilation of technology, industrial enterprises of all kinds bolstered their technical development and product updating capabilities.

Technology markets are beginning to develop in the country's rural villages, and they have generated very

good economic returns. Work done in Hebei and Jiangxi provinces is particularly conspicuous. Jiangxi has preliminarily formed a tri-level province, prefecture, and county technology market flow system, and has promoted the representative experiences of the Jiangzhou Township Technology Market Development Center in Jiujiang County in building a comprehensive service entity for the whole process. For the past four-plus years, technology markets at all levels in Jiangxi Province have provided all kinds of technical services 82,851 times. They have trained more than 124 thousand educated rural youths, brought in 908 skilled people from elsewhere, and imported 926 pieces of advanced technology. They have transferred possession of 631 scientific and technical achievements, earning 310 million in socioeconomic returns.

Currently, management regulations and policies are being established and perfected for the country's technology markets. The State Science Commission press conference on 13 February announced news of a halt to all activities by the "Chinese technology markets exchange network."

Agricultural Banks Support Spark Plan

40060042D Beijing JINGJI CANKAO in Chinese
16 Mar 90 p 1

[Summary] In 1990 agricultural banks will grant loans worth 400 million yuan to support the 'spark plan.' Since 1986, agricultural banks have granted loans worth 1.35 billion yuan to 3,101 'spark plan' projects.

Nation's Irrigated Area Increases in 1989

HK3003015290 Beijing RENMIN RIBAO in Chinese
18 Mar 90 p 2

[Report by Jiang Yaping (5592 0068 1627): "China Irrigated Area Increased by More Than 2.5 Million Mu in 1989"]

[Text] Beijing, 16 March (RENMIN RIBAO)—Today an official of the Ministry of Water Resources told this reporter that a progressive decrease in China's irrigated area since 1980 has been checked. According to preliminary estimates, the irrigated area in 1989 came to 721.24 million mu, 2.5 million mu more than 1988.

This achievement resulted directly from water conservancy works built last winter and this spring. By 15 February, the nation had committed a total of 3.5 billion laborers at the rate of accumulation in capital construction on farmland, digging 4.4 billion cubic meters of earth and stone, bringing 46 million mu of farmland under irrigation again, increasing 8.5 million mu of irrigated farmland, transforming 11.5 million mu of low-yield land and conserving 14,000 cubic meters of water loss and soil erosion.

Agricultural Production in Arid Areas Studied

OW3003045290 Beijing XINHUA in English
0246 GMT 30 Mar 90

[Text] Xining, March 30 (XINHUA)—China has concentrated efforts on promoting production on vast areas of arid and semi-arid farmland in hopes of helping solve its grain problem.

Arid and semi-arid land accounts for 52.5 percent of the country's territory. Unirrigated farmland accounts for as much as 74 percent of the country's farmland. Since grain output on unirrigated farmland is low and unstable, it has long been an important problem affecting the agricultural development of the country.

Research results show that arid and semi-arid land, mainly found in the northern part of the country, has many advantages. Per-capita farmland in the arid and semi-arid areas of the north is higher than in the south. There is enough sunlight and deep layers of porous soil with a high organic matter content.

Once substantial technical investment is made, agricultural output will increase by a big margin. To promote agricultural production in the arid and semi-arid area is strategic for a thorough solution to the grain problem of the country.

In drawing up the Seventh State Five-Year Plan for the period from 1986 to 1990, the State Council decided to regard the development of agriculture on arid and semi-arid farmland as a major national research project.

At the same time, the State Council decided to set up the China Research Center of Arid and Semi-arid Agriculture at Northwest China Agricultural University, which has long engaged in research on the arid loess plateau.

The research center has since made efforts to establish a network of institutes on arid and semi-arid agriculture in the northern part of China. Priority was given to the 15 provinces and autonomous regions in the northwest, north, and northeast, which all have vast acreage of unirrigated farmland.

There are now 125 institutes spread through all the provinces and autonomous regions north of the Yangtze River, according to Wang Lixiang, director of the China Research Center of Arid and Semi-arid Agriculture. He said many other research units have also shifted their study to or combined their study with research on arid and semi-arid agriculture.

The research scope of these institutes and units includes 13 subjects such as technology for arid agriculture, cropping systems, animal and plant breeding, ecological improvement, livestock and poultry production, fruit and vegetable growing in arid and semi-arid land, forestry and grasslands, climate, energy, systematic sciences and information research.

In order to make their research fit social and natural situations in the arid and semi-arid area, the institutes

and research units have set up more than 300 pilot farms on the loess plateau, the eastern part of the Qinghai-Tibet Plateau, the North China Plain, the Yunnan-Guizhou Plateau, and the Gongzhu Ridge in northeast China.

After several years of effort, results have been achieved in many of the research projects.

The Haidong Prefectural Institute of Water and Soil Conservation in Qinghai Province, northwest China, in 1984 started to experiment with soil improvement on terraced land in Bazang Valley in Pingan County. As a result, grain output has increased each year for the past four years. Per-hectare grain output there last year was 1,500 kilograms more than that before the start of the experiment. Techniques to increase the production of spring wheat have been developed.

New technology for increasing wheat output in arid areas, developed by scientists in Shandong Province, has been popularized in an area of 2.3 million hectares in northwest Shandong Province since 1986. In the past four years, the technology has helped increase wheat output by 15 billion kilograms.

The Institute of Arid Agriculture under the Hebei Provincial Academy of Agricultural and Forestry Sciences in north China have collected drought resistant plant strains on the North China Plain and bred 14 new fine grain and cotton strains. The institute won a third-class national prize for scientific and technological progress for its development of technology for cultivating wheat on arid land by economically using water and fertilizer.

About 98.8 percent of the farmland in Ganjing Township in Heyang County in Shaanxi Province, northwest China, is unirrigated. Annual rainfall in the area was only a little more than 300 millimeters in 1989. However, with the popularization of new wheat farming technology developed by the Shaanxi Provincial Academy of Agricultural Sciences, the average per-hectare wheat output of the township rose to 3,075 kilograms. The highest yield was 3,750 kilograms. Local peasants are amazed by the high yield from the arid land.

Director Wang Lixiang said the research on arid and semi-arid agriculture in China is going deeper and deeper in wider and wider aspects. China has established cooperation in this field with international research bodies based in India and Syria and with more than 30 research units in the United States, Japan, Argentina, Egypt, Iran, and other countries.

Imports of Cereals, Oils in Feb

HK2703154590 Beijing CEI Database in English
27 Mar 90

[Text] Beijing (CEI)—Following is a list showing China's imports of cereals, oils and foodstuffs in February, 1989, according to primary statistics released by the General Administration of Customs.

Item	Unit	Feb 1990	Feb 1989
Cereal	ton	878,861	966,957
wheat	ton	834,241	857,068
soybean	ton	61	15
Sugar	ton	53,266	111,634
Animal oils and fats	ton	1,123	6,923
Edible oil	ton	78,915	63,326
Other oils	ton	52,238	31,394

Shelterbelt Project's Second Phase in Full Swing in North

*OW2903113190 Beijing XINHUA in English
0856 GMT 29 Mar 90*

[Text] Beijing, March 29 (XINHUA)—The second phase of a green shelterbelt project is in full swing in 466 counties in 13 northern provinces and autonomous regions, an official from the Ministry of Forestry said today.

The official said, the second phase of the shelterbelt project, started in 1986, aims to better preserve the growing forest and add 8.17 million hectares of new trees, pushing forest coverage from 1985's 6.25 percent to 7.8 percent by 1995.

Construction of the northern shelterbelt project began in 1978 to curb desertification, soil erosion, flooding and drought.

In the past 12 years, the official said, nine million hectares of trees have been planted. Grassland has been improved and grain output has increased owing to the construction.

There are plans for further construction of the project within the century. Some 22 million hectares of trees will be planted and regional shelterbelt networks will be established and forest coverage will be increased from the current 7.09 percent to 10.55 percent in the northern provinces by the year 2000.

Sichuan Cotton Area

*40060042B Chengdu SICHUAN RIBAO in Chinese
8 Mar 90 p 1*

[Summary] In 1990 Sichuan Province plans to sow 2 million mu to cotton, and produce 100 million kilograms. In 1989 Sichuan produced 80 million kilograms of cotton and procured 60 million kilograms.

Price Seen as Key To Solution of Grain Problem

90OH0339A Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 12, 23 Dec 89 pp 13-17

[Article by Wen Guifang (3306 2710 5364), of the Finance and Trade Institute, Chinese Academy of Social Sciences: "Fundamental Way for Solving the Grain Problem"]

[Text] Since the Third Plenary Session of the 11th CPC Central Committee, China's grain production has gone through a process of large increases year after year to decline in recent years. Not long after, cries of "it is difficult to sell," "it is difficult to buy," and "there is a glut" perplexed people, and China faced the problem of grain shortages. This period of time was not long, but the complications and setbacks of grain development, accompanying the reform of the economic system, stated clearly to us a principle known to all: in developing a commodity economy, the law of value must be obeyed and respected. China's grain problem, in the final analysis, is a problem of price. The fundamental way to solve this problem is to make grain a commodity, that is, to effect exchange at equal value.

I. The Grain Problem in the Final Analysis Is a Problem of Price

As to exactly what is the cause of China's current grain problem, in theoretical circles and practical work departments there exist various interpretations. That different people have different views is understandable. However, I believe the crux of China's grain problem is price, and once grain prices are rational, other problems can be readily solved. Actually, the issue is whether to make grain a commodity, that is, whether to exchange it at equal value.

The grain problem is a price problem because the production and consumption of grain are closely related to price. An increase in grain requires the stimulus of price, and the price level will inhibit or stimulate grain consumption. Price plays an extremely important role in grain supply and demand today during promotion of a planned commodity economy.

Looking back on 10 years of reform, because there were many upward adjustments in grain procurement prices from 1979 to 1984, the irrational situation of low prices and profits for grain compared with that for other agricultural products was changed. The peasants' enthusiasm for planting grain was greatly aroused, and for successive years there were bumper grain harvests. By 1984 gross output reached the highest level in history, thereby basically solving for the first time the grain problem, which had perplexed the people of China for a long time. However, beginning in 1985, the over-purchase price of grain was changed to the contract price, which lowered the level of procurement prices. At the same time, the prices of agricultural means of production rose sharply, causing the cost of planting grain to

increase and profits to decline. In addition, prices of most economic crops were deregulated, which further widened the price disparity between them and grain. Without a doubt this dealt a blow to the peasants' enthusiasm for planting grain, and grain production fluctuated.

If the facts in these 10 years are insufficient to prove the effect of price on grain production, then we can look at the 30-year period after the founding of New China, and perhaps find a test and verification. Although the policy of unified purchasing and selling of grain was put into practice in the First Five-Year Plan period, the unified purchasing price for grain was comparatively rational, approximating exchange at equal value, and the price scissors of industrial and agricultural products narrowed. (Due to space limitations, I cannot discuss this point in detail.) In this period the peasants' enthusiasm for planting grain was high, and the rate of grain production grew fairly fast. From 1958 to 1965, although there were two fairly big rises in grain procurement prices, because production costs rose even faster, in 1965 compared with 1957, the grain purchasing price rose 38.7 percent. The increase in material costs for one mu of grain were: paddy 157 percent, corn 152 percent, kaoliang 119 percent, soybean 115 percent, millet 104 percent, and wheat 71 percent, all higher than the rise in grain prices. From 1966 to 1978, the grain purchasing price basically did not change, but production costs continued to rise, among them paddy 62 percent, wheat 76 percent, millet 89 percent, corn 91 percent, soybean 116 percent, and kaoliang 118 percent. In more than 20 years, the principle of exchange at equal value was consistently violated, the peasants suffered losses when they planted grain, and grain production was consistently in a state of stagnation.¹ According to an analysis of data gathered since the founding of the PRC, the result of changes in the purchasing price on agricultural production were: when the annual rise in the purchasing price was less than two percent, the agricultural production situation was generally bad; in the years in which the average annual rise was two percent or more, the situation in agricultural production was fairly good; and when the price rise was four percent or more, agricultural production developed very fast. From 1985 to 1987, the grain purchasing price on average rose only 1.7 percent per year; in 1985 there was actually a decline. This is an important reason for the fluctuations in grain production over the past several years. Thirty years of positive and negative facts prove that even during those past years in which the product economy was practiced and there were unified purchasing and unified selling of grain, if the principle of the laws of value is violated and there is no exchange at equal value, in the end the development of grain production can only be stifled and blocked.

This is not only the case in China, there are examples abroad. Clearly, a socialist country that pursues a policy of inhibiting prices with regard to grain production cannot, without exception, solve its own grain problem. Low prices and shortages go together. Perhaps this does

not count as a common failing, but it really exists in most socialist countries and even in some developing countries. Conversely, Western countries that have a policy of stimulating grain prices, like America, Britain, Federal Republic of Germany, and even Japan, have fairly easily and successfully solved their grain problems. Not only this, if these countries have a large grain surplus, they still have a policy of stimulating and protecting grain production. A correct pricing policy is very important to the development of grain production. We should draw on the experiences and lessons of practice in China and abroad, and find the correct way to solve China's grain problem.

II. Current Problems Existing in China's Grain Prices

The reason the grain price problem has again become prominent is mainly because:

A. The grain planned purchasing (that is, the contracted fixed quota) prices are too low. Over the past few years prices have even declined, and do not play the role of stimulating production and increasing supply. This is manifested in three areas: First, profits from planting grain are lower than profits for planting other agricultural crops. According to statistics, the net output value per mu and net income after taxes for crop cultivation on average are 138 yuan and 95 yuan respectively, for grain cultivation it is 82 yuan and 51.5 yuan respectively, and for the planting of economic crops (on average) are respectively 311 yuan and 232 yuan. Second, the contracted fixed purchasing price for grain is quite lower than the market price, and the gap between the two is becoming wider and wider. The market price was 29.5 percent higher than the fixed purchasing price in 1985, 24.3 percent higher in 1986, over 30 percent higher in 1987, and was even 50 to 100 percent higher in 1988. Third, compared with the international market and some developed countries, China's grain purchasing price is distinctly on the low side. According to Hunan Province's figures, in 1987 the unified purchasing price for rice was 35 to 47 percent lower than the export price (according to local foreign exchange closing price conversions).² Also, relevant data show that the domestic grain purchasing prices of the world's principal grain-producers are enormously higher than the international market price. Among them, America's domestic purchasing price has for a long time been higher than the international market price. The European Community's grain purchasing price is 1.2 times higher than the international market price, and Japan's is more than six times higher. A comparison between China and abroad shows that China has not adopted a price-stimulating policy for grain production, but rather a price-inhibiting policy. Obviously, implementing this low procurement price policy for grain is a principal reason for the yearly reduction in the area planted to grain and for the difficulty in fulfilling the contract fixed purchasing quotas task. In 1988 the area planted to grain declined by 20.97 million mu from 1987, about half the area was reduced because the peasants' enthusiasm for planting

grain decreased.³ This is the best explanation for the peasants' resistance to the low procurement price policy for grain.

B. Grain's planned selling price is even lower, and the phenomenon of purchasing and selling prices being in reverse order is becoming more and more serious. Since 1979 the grain purchasing price has increased 140 percent, but the grain selling price has stayed at the 1960 level. The selling price is 45 percent or more lower than the purchasing price. China's grain price is only 18 to 23 percent of the international market price. As a result, for every one kilogram of grain (within the planned indices) managed by grain departments, formerly a state subsidy of 0.2 yuan was needed, but now the subsidy is 0.4 yuan. Such an enormous subsidy, whether state finances or local finances, has reached the point that is difficult to continue. Also, the low price and reverse order have encouraged the waste of grain and the unhealthy tendency of reselling grain at a profit. According to newspaper reports, a survey taken by a city factfinding group of 100 resident households in Jinzhou City, Liaoning Province showed that last year, because of poor storage on average each household threw away 2.4 kilograms of grain and that on average each household threw away 5.9 kilograms of leftovers; from this it was deduced that the residents of Jinzhou City in one year waste more than 1.9 million kilograms of grain.⁴

C. In the allocation and management fees, with the grain allocation price and contract purchasing quota price as the basis, there likewise exists the problem of being on the low side. Under this kind of pricing, grain-producing areas gain nothing by shipping out grain, on the contrary they increase their financial outlays (because of the need to support production, purchasing, farm material industries and storage). The more they ship the more they suffer losses. The enthusiasm for planting grain is inhibited, and the dependence of grain-deficit areas on grain transfers is encouraged, thereby sharpening the contradiction between producing and deficit areas.

D. The scissors differential between the price of grain and the price of agricultural means of production is widening. Comparing 1987 with 1984, the grain-purchasing price only rose 9.6 percent, but the prices of agricultural means of production on average rose 26.9 percent, and in rural areas retail prices for industrial consumer goods on average rose 20.4 percent. In 1984, one kilogram of grain could be exchanged for 1.5 kilograms of chemical fertilizer; this was generally acknowledged as a fair rate of exchange, but now one kilogram of grain cannot be exchanged for one kilogram of chemical fertilizer.

E. The old rate of exchange has been restored, and the grain price has returned to the "bottom of the pot." Before 1985, because the grain purchasing price was adjusted upward many times, for a time the rate of exchange between grain and other agricultural products was fairly rational. However, from 1985 on, the rise in the grain price has been far lower than that of other agricultural products. In 1987 compared to 1985, the general level of

the prices of agricultural and sideline products rose 12.8 percent, but the general level of prices for paddy, wheat, and corn only rose 5.1 percent while the prices of some economic crops doubled. Because the prices of grain and other principal agricultural products are irrational, there is a new irrational rate of exchange on a new basis in the agricultural product price system

The above-mentioned problems are mainly caused by the following factors: First, there are discrepancies in reform measures. The dual-track system is implemented for the prices of grain and other principal agricultural products (in which the part under planned management accounts for a large proportion; for example, grain accounts for 85 percent), and prices of other agricultural products are regulated by the market. As a result, the former is managed rigidly, and after the latter was deregulated there was a lack of effective macroeconomic regulation and control measures, and at times there was even the attitude of refusing to have anything more to do with the matter. Under these circumstances, the shortage of agricultural products has caused the latter's prices to rise much higher than the former's prices, and has caused a gap in comparative interests. Second, the dual-track system for the supply and prices of agricultural means of production causes a gap between the actual retail prices of agricultural means of production and the planned purchasing prices of agricultural products. On the surface, the dual-track system is practiced for agricultural means of production, but when peasants make purchases, because they often cannot buy some of them at par they are forced to buy them high prices, the dual track actually changes into a single track (market price), and prices are often several times higher than par. However, this is not the case with grain purchasing. On the one hand, the contracted fixed-quota purchasing price is regularly set by the state, and cannot in line with the rise in grain-planting costs be readjusted at the appropriate time. On the other hand, to fulfill a purchasing plan, administrative measures stop at nothing. Some local party committees, governments, people's congresses, CPPCC branches, discipline inspection commissions, and industrial and commercial management, tax, public security, political science and law, price, and other departments, move together to force peasants to sell to the state. This aggravates contradictions between the peasants and the state. Third, there is an urban bias in government actions, which for a long time has kept the selling price for grain low, and the low selling price in turn has held back or blocked rises in purchasing prices, and the final result is that peasants' interests are harmed or sacrificed.

III. Contradictions Facing the Solution of China's Grain Problem

First contradiction: the contradiction between the peasants and the state is specifically manifested in the fact that rural economic reform has changed the peasant from a laborer controlled by the state to a commodity producer responsible for his own profits and losses, and demands exchange at equal value in his dealings with the

state. For various reasons, the state continues to use administrative measures to get grain from the peasants, and the contradiction between the two in economic interests not only becomes clearer but also sharpens day by day.

Second contradiction: the contradiction between city and countryside, between industry and agriculture. In reality, this is the contradiction between production and demand. On the one hand, in the peasants' view, since everybody admits that the grain purchasing price is low, it should be raised. However, with regard to the food industry, because a rise in the purchasing price will cause the cost of manufactured goods using grain as a raw material to increase, and to stabilize the price level of manufactured goods and avoid losses to the food industry, the state has to slow the rate of increase in the grain purchasing price. On the other hand, the wage level of staff and workers in cities and towns is low, and the permissible rate of increase in the selling price of grain is limited. It is difficult to rationalize an increase of the selling price; conversely, this restricts an increase of the purchasing price. Proceeding from these two situations is equivalent to sacrificing the peasants' interests and accommodating urban residents' interests, causing agricultural interests, particularly grain planting, to suit industrial interests.

Third contradiction: the contradiction between the center and the localities. The main manifestation of this contradiction is the parity allocation of grain. When the financial system of unified revenue and unified expenditure was practiced in the past, the losses caused by the parity allocation of grain was the state's affair. After implementing responsibility for one's own finances and separate budgetary plans for central and local authorities, especially under the situation where there are wide gaps in the average negotiated prices, the more localities sent out parity price grain the bigger the loss. If the locality takes into consideration its own finances, it will be hard to avoid the direct occurrence of contradictions between it and the center.

Fourth contradiction: the contradiction between localities, namely, the contradiction between one locality sending out grain (the producing area) and the other locality to which the grain is sent (the selling area). Generally speaking, because the price of grain is low in a grain-producing area and the economy is not developed, the residents' income level is also low, thereby restricting the movement of grain prices in the area. The areas to which grain is sent are generally coastal areas where the economy, particularly industry, is comparatively developed, the level of the residents' income is comparatively high, and there is a larger ability to bear rises in the grain selling price. To get the grain they need, these areas do not hesitate to send people to the producing areas to buy it at high prices, thereby affecting the level of prices in the producing areas, and in the end causes contradictions in the producing areas between industry and agriculture, and between town and country. The producing area, either to protect the interests of the city residents and its

own industrial production, has to restrict the rise in grain prices and block the circulation of grain; or increase the allocated price and by this means deal with the selling area. The selling area then fights back with other economic crops or manufactured goods. Thus there is a clash between the selling and producing areas in economic interests between blockade and counter-blockade, between forcing up and countering the forcing up of commodity prices.

Fifth contradiction: the contradiction produced under the dual-track system between relaxing and controlling. First, with regard to grain under dual-track prices, raising the planned price under circumstances in which a grain shortage is difficult to eliminate could promote a rise in the market price, not to mention complete decontrol over grain prices. If part of the prices are controlled and relaxed at the same time, we will return to the old path and deaden that part that has already been invigorated. Also, because there is a big gap between prices inside and outside the plan, the peasants' cries for a reduction in the amount of fixed quota purchasing grow louder every day. To keep its part in the plan, the state strengthens its administrative function daily. Thus friction between the two gets bigger. Second, looking at the relationship between grain and agricultural products which have been completely deregulated, raising grain prices could cause the price of other agricultural products to rise, and then the prices of these agricultural products could only be reduced by reimposing controls. However, if this is done, all the reforms made in the previous stage would be wasted. In brief, under the dual-track system currently in practice, no matter how it is operated, it is difficult to avoid the occurrence of various contradictions and frictions, thus putting reform in the plight of being difficult to advance and to retreat.

Obviously, the grain price problem now facing China contains numerous contradictions and conflicts. The grain problem, therefore, even if it is a price problem, is not completely a price problem. To solve this problem, without the slightest doubt, we must stress prices, but we cannot just consider prices in isolation. We must seek the true cause of this price problem. Through the above analysis, the problem of irrational grain prices reflects the relationship of exchange at unequal value; or, to put it another way, up to now we have not treated grain completely as a commodity. Also, to a considerable degree, grain is even considered to be a "tribute" that the peasants must hand over to the state, and that grain is a "welfare good" for the enjoyment of urban residents, and a "relief good" for poor areas and disaster-stricken areas, thereby, to a great extent, blotting out grain's economic base as a commodity. Therefore, we have not made the peasants who plant grain complete commodity producers, and in actual economic activity there is a large disparity between them and other farmers. On the other hand, special treatment for city residents and processing enterprises that use grain as raw material could effect exchange at unequal value with the grain-planting peasants and grab part of their interests. Only by continuing reform can these problems be solved.

IV. Continue Reform and Make Grain a Commodity

Today, when the planned commodity economy is being implemented, making grain a commodity is an inevitable trend in the development of the planned commodity economy. We must conform to this trend, work hard to create conditions, and promote grain as a commodity.

In making grain a commodity, the production, management, exchange, and other activities in grain must obey the laws of a commodity economy. To this end, first of all we must restore the commodity features of grain, and acknowledge that the peasant who produces grain is also a commodity producer and that he has the right to make his own decisions when planting grain. We should be determined to change the current irrational situation, which does not embody the principle of exchange at equal value and does not work things out through voluntary consultation, and also in which contracted fixed purchasing quotas in name, which do not have the force of law, actually compel purchases; and truly respect the peasant's right to make decisions as a commodity producer. Next, the price of grain in concluding a business transaction must both depend on its value and reflect the changes in the relationship between supply and demand. From the long-term point of view, this means eliminating the "dual-track system" and putting into effect market regulation under planned guidance. However, under the circumstances in which in the short term it will be difficult to eliminate the "dual-track system," we need to focus on adjusting upward part of the planned purchasing prices so that they gradually tend to become the same as the market prices. Finally, we must make dealing in grain advantageous in order to obtain average profits that are appropriate.

Making grain a commodity is a fairly long process, and rationalizing the price of grain is not something that can be done overnight. For this reason, we once proposed that the reform be done "in small steps, be sustained, be balanced, and be in complete sets." However, in view of the present situation in grain and its price, to make small readjustments is utterly inadequate and will not arouse the peasants' enthusiasm for planting grain. Therefore, we need to make a fairly large readjustment, and later, with this as a foundation, on the one hand reduce year by year the proportion of contract fixed quota purchases and increase the proportion of that part that is market-regulated; on the other hand, make small readjustments in contract purchasing prices year by year, striving within three to five years to rationalize grain prices. When the conditions are right, we will proceed to eliminate the dual-track system and completely depend on market prices in purchasing grain, thereby making grain a commodity and achieving exchange at equal value.

With regard to the deepening of the reform of the grain price and making grain a commodity, there is a general position and a specific position put forward her.⁵

Footnotes

1. See Wu Shuo [0702 4311]: "Rationalizing Grain Prices Is the Key To Solving the Grain Problem," ZHONGGUO LIANGSHI JINGJI [CHINA'S GRAIN ECONOMY], No 3, 1988.
2. See the Topic Group, Price Institute, Hunan Province: "Research on Mechanisms for Reforming Grain Prices," CHENGBEN YU JIAGE ZILIAO, No 6, 1989.
3. See GUANGMING RIBAO, 18 March 1989.
4. See JINGJI CANKAO, 23 March 1989.
5. See two articles: CHENGBEN YU JIAGE ZILIAO [DATA ON COSTS AND PRICES], No 6, 1989 (signed by Zhong Ming [6988 7686] and ZHONGGUO WUJIA [CHINA'S PRICES], No 3, 1989 (written by me and signed by the "Grain Price" Topic Group, Finance and Trade Institute, Chinese Academy of Social Sciences).

Problem of Transferring Farm Labor Force Examined

90OH0442B Beijing JINGJI RIBAO in Chinese
17 Feb 90 p 2

[Article in special column "Weekend Dissertations" by Zheng Zhong (6774 6850): "Another Discussion of the Problem of China's Agricultural Labor Force"]

[Text] In the "Weekend Dissertations" special column of the 9 December 1989 JINGJI RIBAO, I wrote an article entitled, "A Brief Discussion of the Problem of China's Agricultural Labor Force." Stressing the point that in agriculture there must be formed an administration on a suitable scale to achieve modernization, I discussed the idea that the rate of transferring the agricultural labor force into nonagricultural industries determines the scale of administration in agriculture as well as other problems of dealing with situations that should be solved. However, this is only one aspect of the problem of the agricultural labor force. I feel that it is necessary to examine the problem of the agricultural labor force from the angle of the overall situation in the development of the national economy and society; to further demonstrate and prove the inevitability and necessity of transferring to nonagricultural industries that part of the agricultural labor force that is now surplus, added to each year in the future, and that it is superfluous because of the constant rise in the labor productivity rate and other related issues.

A Law of Economic and Social Development Is That the Nonagricultural Population Increases and the Agricultural Population Decreases

After the Industrial Revolution began in England in the 18th century, it began and was completed in France, Germany, America, Japan, as well as other countries. When the Industrial Revolution began in these countries, the proportion of the agricultural labor force in the total labor force of society in general fell to a little over

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60 percent, and afterward it decreased year by year. In the 20th century, particularly after World War II, science and technology made great strides, which accelerated the process of transferring the agricultural labor force to nonagricultural industries. Now the proportion of the agricultural labor force in the economically developed countries of the world on average is less than 10 percent; in America, Britain, and West Germany, it is only two or three percent. At present the grain produced by an agricultural labor force unit in economically developed is about 100,000 kilograms in America, Canada, and other countries with relatively few people for the size of the land; in Britain, France, West Germany, and Italy, it is several thousand kilograms. The agricultural produce produced by one agricultural labor force unit can feed several dozen people, and more than 90 percent of the labor force in society is engaged in production in nonagricultural industries and in activities in other domains. Therefore, in the economically developed countries the per capita GNP is above \$10,000.

After the founding of the PRC, the proportion of the agricultural labor force has consistently been about 80 percent. Since the Third Plenary Session of the 11th CPC Central Committee, economic reform has been carried out in the rural areas, promoting the transfer of a part of the agricultural labor force to nonagricultural industries. However, currently in the rural areas the proportion of the labor force actually engaged in agriculture is 60 percent (excluding staff and workers of township and town enterprises, but including that part of the labor force that engages in both agriculture and industry; similarly hereinafter), the grain produced by one agriculture labor force unit is only a little over 1,000 kilograms, and the agricultural products produced can only feed three or four persons. The per capita GNP is \$300 or \$400. Of course, there are historical, complex reasons for this gap, among which are factors that cannot be compared. However, from an analysis of the the laws of economic and social development, we see that to have this many people engaged in food production is a principal manifestation of China's poverty and backwardness.

China's Excessively Large Agricultural Labor Force Has Caused Economic Development for a Long Time To Tilt Toward Industry

After New China was founded, because of specific historical conditions and the grim international environment at the time, China chose a strategy of giving priority to the development of industry and to tilt toward heavy industry. The result of practicing this developmental strategy was that, in the 30 years from the founding of the PRC to 1978, the rate of China's industrial development was 3.9 times that of agriculture. The ratio of the output values of industry and agriculture changed from 3:7 to 7:3. Industry underwent a great development, and an independent, integrated industrial system was set up. This was an historically significant success. The problem was that up to 1978 the ratio of the

urban and rural populations and the ratio of the industrial and agricultural workers still remained at the 2:8 level, the same level in the initial period after the founding of New China. The reason for this singular phenomenon was many-sided, but its source lay in the fact that, in the development of the national economy, there was no developmental strategy for making changes at the appropriate times.

With the national economy tilting toward the development of capital-intensive heavy industry, a large accumulation of funds was drawn out of agriculture and into heavy industry, but it was impossible to provide the agricultural labor force with corresponding opportunities for employment. To resolve a series of contradictions produced by this situation, a policy separating town and country was adopted. Because the transformation of peasants into nonagricultural workers was restricted and the rural economy was limited to a single business, the agricultural labor force, for all intents and purposes, was kept on the land. Since reform began, although the situation has taken a turn for the better, the problem has not yet been fundamentally solved. According to statistics, in 1952 in China there were 1.618 billion mu of cultivated land, 173 million persons in the agricultural labor force, and on average each one of them worked a little over 9.3 mu of cultivated land. By 1978 the amount of cultivated land had fallen to 1.49 billion mu, about 270 million persons were actually engaged in agriculture, and each one of them on average worked 5.5 mu of cultivated land, a drop of 40 percent. By 1988 the amount of cultivated land had fallen to 1.45 billion mu, and although more than 67 million members of the agricultural labor force had been transferred, the number of persons actually engaged in agriculture had increased to 320 million, with each one of them on average working 4.5 mu of cultivated land, a reduction of more than half compared with the that in the early period after the founding of New China. The small size of the area of cultivated land worked on average by one agricultural worker and the low agricultural labor rate seriously hamper the modernization of agriculture.

In the periods of the cooperativization and the communization of agriculture, because egalitarianism was practiced, a basic livelihood was guaranteed, thereby mitigating contradictions, and a surplus labor force existed in concealed form. After the responsibility system of linking remuneration to output with the household made primary was put into effect in the rural areas, the peasant had the right to act on his own initiative in his business, and the problem in agriculture of a surplus labor force became prominent. The economic reform in the rural areas has greatly enlightened us. According to statistical data on township and town enterprises, in 1988, compared to 1978, more than 67 million members of the agricultural labor force had been transferred to the township and town enterprises, and nearly 370 billion yuan had been added to the gross output value, reaching a figure of 650 billion yuan. In 1988 exports generated \$8.02 billion in foreign exchange, and the township and

town enterprises' outlay in wages to staff and workers, calculated on the basis of the agricultural population average in China as a whole, gave each staff member and worker an increase of 55 yuan. Changing the surplus labor force in agriculture from consumers to producers has created a large amount of wealth for society. Also, in all places that could correctly handle the relationship between agriculture and the township and town enterprises, a benign cycle in the rural economy has been promoted. Conversely, not only is agricultural production affected; the political stability of society is also affected.

In Transferring the Surplus Agricultural Labor Force, We Should Make "Leaving the Land But Not Leaving the Township" Primary

Since economic reform began, China's rate of urbanization has accelerated. In 1984 the urban population reached 32 percent (after 1984, because the statistical specifications changed, there can be no comparison), an absolute value increase in the year of 11.5 percent. This rate is very high, but urbanization is still lower than the world's average level. Urbanization is an inevitable trend in industrialization, commodity transformation, and modernization. In the process of these "three transformations," there is bound to be part of the population "that has changed from agricultural work to nonagricultural work" and that will go to the cities. However, it is very difficult for the existing population in China's cities to find employment, and objectively it is necessary to limit the population "that has changed from agricultural work to nonagricultural work" and that goes to the existing cities. From a look at the practice in recent years, we see that for a city to arrange employment for a labor force there has to be an investment in fixed assets of more than 10,000 yuan, and also there is a basic need for state investment; employment for the labor force in a township or town requires several thousand yuan, which is mainly raised by nongovernmental means. At the same time, for every population added to a city, the state needs to provide several kinds of subsidies. An excessively high rate of urbanization is difficult for the national strength and finances to bear. As for the industrial situation, in line with economic rationalization and other principles, we should get close to the raw materials-producing areas, particularly agricultural product processing areas. In some economically developed countries such as West Germany, half the total number of enterprises are located in the rural areas; this is also the case in Japan and other countries. At the same time, it is now felt that in the great majority of China's cities, particularly the large- and medium-sized cities, there is an excessive expansion of the population; and in the cities housing, transportation, running water, electricity, and other facilities are highly unsuitable. Therefore, in accordance with China's national condition, we should insist that in the transfer of the agricultural labor force to nonagricultural industries on the integration of the ideas of "leaving the land but not leaving the township" and

"leaving the land and also leaving the township," with the former made primary. This is a policy of seeking truth from facts.

Of course, the idea of "leaving the land but not leaving the township" definitely does not mean that industries "will spring up all over the place and smoke will be emitted from all villages." The state's urban and rural construction departments need to take a broad and long-term view; make rational dispositions and plans for urbanization in China as a whole; and form a networking system of large- and medium-sized cities, cities and towns, and organic towns. With the exception of a small portion of the population that go to large- and medium-sized cities, and a lesser part that go to cities and towns, the greater part of the population "that has changed from agricultural to nonagricultural work" go to the organic towns, which have sprung up all over the country. Organic towns will become the hubs of the upward related cities and the directly related large number of rural communal areas and will become the embryos of modern cities. Following the development of the socialist commodity economy, the level of modernization will rise constantly.

The situation we face, even if we do not include in it the calculation of the surplus labor produced during the course of agricultural modernization, is that by the end of this century in the rural years two categories—newly added members of the labor force and members of the current surplus labor force—will amount to more than 100 million people. The transfer of this 100 million-strong labor force, calculating that the employment of one member of it will require an investment in fixed assets of more than 10,000 yuan, will require a total of more than 1 trillion yuan, which is almost equal to the 1.6 trillion yuan that the state has directly put into the production of national assets in the 40 years since the founding of New China. Obviously, this enormous investment cannot be obtained in one stroke. Therefore, the transfer of the agricultural labor force cannot be separated from the national condition and cannot exceed the national strength; its demands are too high and too fast. However, in the state's macroeconomic policy, when planning labor employment we cannot exclude the agricultural labor force. During the improvement and rectification and the deepening of reform, we must vigorously develop the production domain and create new jobs. In fixed assets investments, tax revenue and credit, business licenses, and other aspects, the state provides support and convenient conditions. With the full attention paid by the state, the concern shown by all of society, the policy of pooling the wisdom and efforts of everyone, plus the aspirations and wisdom of the peasants who change to nonagricultural work, China's agricultural labor force problem can be gradually alleviated and in the end can be rationally solved.

The orderly transfer of the agricultural labor force can insure the sustained, stable growth of agriculture. In recent years, during the reform of the urban and rural economy, major successes have been achieved in the

transfer of the agricultural labor force. However, because after the microeconomy was invigorated there appeared some deviations, causing people to have misgivings. Among these one prominent problem is the effect on agricultural production. Now in some areas, mainly economically developed places where a large number of educated, young peasants and peasants in the prime of life have gone into nonagricultural industries, the quantity and the quality of the labor in agriculture have fallen; in some households that "engage in both industry and agriculture," there has appeared a situation in which agriculture has either become a concurrent pursuit or a sideline pursuit; the funds poured into nonagricultural industries have squeezed out agricultural investment; and so on. All these things have caused an extensive management of agriculture, which even leaves behind barren land and also adversely affects the reserve strength of agricultural production.

However, there is now a viewpoint that puts all the blame for the fluctuations and stalling in the production of the past several years in grain, cotton, and other main agricultural products on the transfer of the agricultural labor force. This viewpoint does not conform to reality. In the situation in which the results of farmland capital construction are attenuated, there is a big fall in the rate of developing industries for agricultural use, and the peasants are gradually starting to take part in the diversified economy—all being factors that adversely affect the reserve strength of agriculture—the government has taken a series of measures, including reducing the investment in agriculture and readjusting certain preferential policies for grain and cotton, thereby dampening the peasants' enthusiasm for producing commodity grain and cotton. The most direct fluctuations in grain and cotton production have an economic cause, and the competitive interests of the labor force has fallen. Therefore, to effect an orderly transfer of the agricultural labor force and insure the sustained, stable growth of agriculture, we must suit the remedy to the case and comprehensively bring it under control.

Analysis of Current Grain Supply, Demand

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[Text] I. The Current Grain Supply and Demand Situation

Grain supply had long been insufficient in China. Since the implementation in 1978 of the output-related contract responsibility system, grain supply increased quickly, and for a time there was even a "relative surplus." Since 1985, however, the contradiction between grain supply and demand has sharpened year after year, with supply falling behind growing demand. The current grain shortage has three characteristics:

insufficient total supply, regional supply disparities, and great differences in regional distribution of varieties.

1. *Shortage in total grain supply.* The shortage is the result of supply and demand moving in opposite directions. Between 1984 and 1988, China's total grain output dropped from 407.31 million tons to 394.08 million tons, a decrease of 13.23 million tons. In the same period, grain consumption rose from 395 million tons to 408.57 million tons, an increase of 13.57 million tons. In 1984, after deducting the year's consumption, there was a surplus of 12.31 million tons. In 1988, supply fell short of demand by 14.49 million tons. Between 1985 and 1988, the shortage totaled 54.44 million tons.

2. *Regional disparities in grain supply and demand.* The manifestations: (a) Per capita grain output is uneven with fairly large gaps between various regions. In 1988, the per capita grain output in six provinces including Jilin, Heilongjiang, Jiangsu, Anhui, Hunan, and Hubei was more than 450 kg, basically self-sufficient with a surplus. In contrast, the per capita grain output in 11 provinces and municipalities including Beijing, Tianjin, Shanxi, Inner Mongolia, Shanghai, Guangdong, Guizhou, Yunan, Xizang, Gansu, and Qinghai was less than 300 kg, causing a large-scale grain shortage. (b) The disparities in grain supply and demand are still widening. Particularly in Jiangsu, Guangdong, and other economically more developed coastal areas, grain production is on a downslide, and per capita grain output is still dropping.

3. *Great differences in regional distribution of varieties.* Because of the influence of natural conditions and long-standing differences in planting habits, the cultivation of major grain crops in different parts of the country has markedly different regional characters. The country can be divided into the rice belts in the middle and lower reaches of the Changjiang River and areas south of the lower reaches of the Changjiang River; the wheat and corn belts in the Huanghe River valley; the soybean and corn belt in northeast China; and the miscellaneous grain areas on the dry lands of central-west China. Thus, there is a rice shortage in the north; a feed shortage in the south; more corn and miscellaneous grains, but little wheat and rice in the arid areas of Sichuan, Shanxi, Inner Mongolia, and Shaanxi; and a surplus of soybean and corn in the northeast. At present, China's strained transport facilities can hardly meet the need to regulate the surplus and deficiency in grain varieties between regions, making it difficult for the people to have a reasonably balanced diet.

The sharp contradiction between grain supply and demand is not only an economic problem, but also a serious social and political problem. How to reverse the situation is matter of great importance concerning the future of urban and rural economic reforms and development.

II. An Analysis of the Contradiction Between Grain Supply and Demand

A. Insufficient Supply

After reaching an all-time high in 1984, China's total grain output fluctuated for four years in a row. This is no fortuitous phenomenon.

1. Deteriorating agricultural production conditions. The rural economic reform began with the implementation of the output-related contract responsibility system. The output-related contracts and allocation of land to the individual households linked the peasants' work performance directly with the final results of production, which played a tremendous role in arousing the peasants' enthusiasm for production. However, the individual household operation, characterized by traditional farming methods and simple means of labor, is distinctly small-peasant economy, and it is inapt for improving the agricultural production conditions, using modern production machines, and raising labor productivity. Because some local administrations failed to keep pace with the new development, particularly during the period when the output-related contract system was first introduced, the productive capacity, irrigation facilities, agricultural machines, and so forth, accumulated by the collectives for many years, suffered varying degrees of destruction. A new accumulation mechanism with the family as the operating unit has not been formed or developed to the point where it can turn accumulated funds into productive forces, thus hampering the development of the productive forces. In 1987, China had 666.05 million mu of effectively irrigated farmland, 7.27 million mu, or 1.1 percent, less than in 1980. Since land was allocated to them on contract, some peasants, eager for quick success and instant benefit, virtually plundered the land, putting undue emphasis on the use of chemical fertilizers which produce quick results and reducing the application of farmyard manure and green manure. The land was stripped of organic matters, and soil fertility generally dropped.

2. The grain pricing policy is not favorable for grain production. Beginning in 1985, the grain purchasing system was changed from unified purchase to contract purchase. In pricing, the practice of purchasing at state-fixed prices and paying 50 percent more for above-quota purchases was changed to purchasing at uniform prices computed according to the "reverse 3:7" ratio. The introduction of the "reverse 3:7" prices was a restrictive policy to the new grain-producing areas which have great potentials for growth, and it offered some benefits to the old grain-producing areas which had a large base figure for selling grain to the state, though not very effective in stimulating production growth. In 1985, grain production decreased, and market grain price went up. The widening gap between grain purchase price and market price caused some difficulties for grain purchasing work. To fulfill purchase tasks, some places closed down the grain market and restricted shipping grain to other places. Such measures upset the regulatory function of

the grain market, checked the price rises, and dampened the peasants' enthusiasm for growing grain. Particularly in some places, the purchase contracts were changed from year to year, and good harvests meant selling more to the state. The more grain sold to the state, the greater the loss to the peasants. Therefore, the peasants were unwilling to invest more in agriculture and strive for higher yields.

3. The economic returns from growing grain are too low. The "price scissors" between industrial and agricultural products have long existed in China, and it is exactly the "price scissors" which have provided large amounts of money for industrial construction. During the period when the rural economy consisted of simple crop growing and was relatively closed to the outside, the price gap was concealed. In the past few years, with the development of the rural economy, especially the town and township enterprises, the disparities in income between different types of production have become obvious. By comparison, growing grain is economically unrewarding and requires a great deal of hard work, and so it is becoming less and less attractive to the peasants. Large numbers of rural laborers are turning to rural industries, construction, transportation, and commerce. In some areas, agriculture has become an occupation of old people. In Jiangsu Province, for example, the rural labor force engaged in farming, forestry, animal husbandry, sideline production, and fisheries decreased by 848,000 people between 1986 and 1987, but the rural industrial labor force increased by 693,000 people during the same period.

4. Agricultural investment has decreased. As the barriers between urban and rural economies are being removed, agricultural production has not been given due attention. Especially following the great bumper grain harvest of 1984, the policy-makers became unrealistically optimistic and put lopsided emphasis on nonagricultural production. Investment in agriculture was reduced. In 1979, investment in rural capital construction amounted to 5,792,000,000 yuan, accounting for 11.1 percent of the total investment in agriculture, light industry, and heavy industry. In 1987, investment in rural capital construction was reduced to 4,211,000,000 yuan, accounting for only 3.1 percent of the total investment in agriculture, light industry, and heavy industry. Investment in agroindustries was also sharply reduced. During the Fifth 5-Year Plan, the state invested 10,738,000,000 yuan in the agricultural machinery, chemical fertilizer and agricultural chemical industries, which accounted for 4.58 percent of the total investment in capital construction. During the Sixth 5-Year Plan, only 3.53 billion yuan was invested, and the proportion in the total investment in capital construction dropped by 3.55 percentage points from the Fifth 5-Year Plan. The sharp reductions in investment in industries serving agriculture caused shortages in the supply of the means of agricultural production. According to a survey of 27 provinces, autonomous regions, and municipalities in the spring of 1989 by the Rural Survey Zongdui, the

available quantity of chemical fertilizers was only 83 percent of the quantity required; agricultural chemicals, 78.4 percent of quantity required; plastic films, 30 percent short of requirement; and diesel oil, 34.9 percent short of requirement.

5. With the irrational grain procurement and allocation policy, provinces suffer economic losses by providing grain to other provinces. Anhui, a major grain-producing province, provides large quantities of grain to other provinces each year. Because of the irrational price for the grain shipped out by the state, Anhui suffers losses in several ways. First, producing grain incurs great loss in opportunity cost. In 1986, the central government shipped out 1,865,000 tons of grain from Anhui, which meant a loss of about 640 million yuan in opportunity cost for the province, based on the price of cotton which could have grown instead of grain. Second, increased investment in grain production adds to the province's financial burden. In 1986, the province paid about 50 million yuan in chemical fertilizer subsidies alone. Third, more than 70 million yuan was lost that year in processing costs for the grain shipped out and loss of feed. Similar conditions also exist in Jiangxi Province. There are nearly 10 million mu of middle- and low-yield land in the province, which have great production potentials, but the province is financially strained and has no money to improve production conditions.

B. Growing Demand

In the four years from 1985 through 1988, China's grain consumption increased by 13.57 million tons, in contrast to fluctuating grain supply. The following are causes for the rapidly increasing grain demand.

1. Population growth. In three of the five years from 1984 to 1988, China's natural population growth rate exceeded 14 per thousand. The total population (not including Taiwan) increased from 1,034,750,000 to 1,096,140,000, a net gain of 61.39 million. At the standard grain ration of 15 kg per month per person, the population growth alone increased grain consumption by 11.05 million tons over the consumption five years ago.

2. The subsidized consumption policy leads to sharp increases in indirect grain consumption. According to relevant data, for every jin of grain consumed by urban residents, the state subsidizes two jiao, and state subsidies used to bridge the gap between the purchase and selling prices of agricultural and sideline products total 20 to 30 billion yuan each year. In 1987, these subsidies totaled more than 5 billion yuan in 35 large- and medium-sized cities, more than 400 million yuan in Beijing alone. Because state financial support has kept the prices of grain and nonstaple food at a low level, demands have grown rapidly. In 1987, China's per capita pork consumption was 14.5 kg, up 1.5 kg from 13 kg in 1984. At a 4:1 grain-pork conversion rate, each person increased grain consumption by six kg, and nationwide grain demand increased by more than 6 million tons. The per capita egg consumption was 3.9 kg in 1984 and

increased to 5.6 kg in 1987, a net increase of 1.7 kg. At a 3:1 grain-egg conversion rate, each person increased grain consumption by another 5.1 kg, and nationwide demand increased by more than 5 million tons. The increase in alcoholic beverages is even more alarming. In 1987, the per capita consumption of alcoholic beverages was 10.5 kg, which was 3.9 kg more than in 1984, growing at an annual rate of 6.4 percent. In 1987, as much as 11.8 million tons of grain, roughly a year's food ration for 65 million people, was used for beer and white spirit production.

3. The growth in consumption funds and rapidly increasing income of the people have boosted demands for grain and nonstaple food. In the past few years, because consumption funds have gone out of control, the people's income has increased sharply, raising society's overall purchasing power considerably. According to a sampling of the living standard of urban residents, their per capita monthly income was 99.34 yuan in 1988, up 44.33 yuan from 55.01 yuan in 1984, an 80.6 percent overall increase and an annual growth of 15.9 percent. In 1988, urban savings deposits totaled 265,916,000,000 yuan, as compared with 77,662,000,000 yuan in 1984, an increase of 188,254,000,000 yuan, or 240 percent. As industrial products are in short supply, and consumers' choices are limited, the purchasing power inevitably turns to the agricultural and sideline products markets, boosting demands for meats, poultry, eggs, and so forth.

4. The rapidly growing institutional consumption, the endless meetings, the worsening practice of wining and dining everywhere, the imperfect rural accumulation mechanism, the urge to keep up with the others, and the pursuit for high-grade consumer goods have to varying degrees all spurred the growth in grain demands.

Unless the problem of insufficient supply and growing consumption is solved as quickly as possible, the gap between supply and demand will continue to widen. Therefore, we must adopt effective measures to solve the contradiction between grain supply and demand, increasing production and curbing consumption.

Suggestions on How To Achieve a Balance Between Grain Supply and Demand

A. To Increase Production

Taking the entire economy into consideration, to increase grain production, it is necessary to reaffirm agriculture as the foundation and really treat it as the fundamental sector of the economy. Within the rural economy, it is necessary to close the income gaps between different departments and make sure that peasants do not suffer losses by growing grain. It is also necessary to properly handle the problem of income distribution among different areas and give play to each area's strong points.

1. In the overall environment of urban and rural economic reform, it is necessary to reaffirm the position of

agriculture as the foundation and step up the construction of the agroindustrial system. Agriculture is the foundation of the national economy, and grain is the foundation of foundations. Without enough grain production, there can be no flourishing animal husbandry, no rapidly developing light industry, and no stable social order. Therefore, the position of grain as the foundation must not be shaken.

Agricultural production is a process in which man, with the aid of green plants, makes use of solar energy to convert matter into energy. According to a statistical analysis of China's agricultural input and output over the past 30 years and more by a department concerned, the formation of the production capacity for each 50 million tons of grain requires an investment of 15 million tons of chemical fertilizers, agricultural machinery with a total capacity of 50 million hp, 1.3 million tons of diesel oil, and 10 billion kwh of electricity. In the past few years, the state has reduced investment in industries which serve agriculture, causing a slowdown in the development of these industries and shortages of means of agricultural production. Chemical fertilizers, agricultural chemicals, and plastic films are generally in short supply. Therefore, to revitalize agriculture, it is imperative to step up the construction of industries serving agriculture to provide agriculture with high-quality and reasonably priced equipment. At the same time, state funds for the construction of water conservancy works must be used judiciously so that more irrigation works which can effectively help increase agricultural production will be built each year. The problem of diverting water from the south to the north should be solved as quickly as possible to reduce the threat of drought to agriculture in northern China.

2. It is necessary to reduce the gaps in income between trades within the rural economy through pricing and tax measures to create a favorable investment climate for grain farmers. To improve the investment climate for peasants to put their money in the land, it is necessary to perfect the contract system, extend the contract period, put a value on land, and make sure that the peasants who invest money for land improvement will be given reasonable compensation. Agriculturally, to increase the returns on land investment, it is necessary to accumulate technology and funds, introduce moderately large-scale operations (including expanding the operating scale and increasing the per unit area yield), and improve production efficiency. On the relationship between agriculture and nonagricultural production, it is necessary to gradually improve their abnormal and unequal relationship in exchanges, rationalize the prices, and give back to the peasants the right to sell grain at higher prices and exchange commodities on equal terms. Low-priced grain supply in urban areas should be gradually reduced in scale, and the standards should be gradually lowered. The consumers should share some risks for grain production.

3. In the process of economic exchange between regions, regional advantages should be brought into play

according to the law of value and the principles of each supplying what the other needs and reciprocity. When fixing the price of grain to be transferred from one region to another, the state must assure a profit for the grain-producing region. Only when the financial situation of the grain-producing regions is improved, will they be able to do better in supporting grain production and tapping production potentials. For example, Guangdong Province, located in the golden Zhujiang Delta and bordering on Hong Kong, enjoys exceptional advantages in developing an export-oriented economy and can earn large sums of foreign exchange by developing animal husbandry, fishery, and production of fruits and vegetables and selling to Hong Kong. Guangdong can cooperate with the inland provinces of Jiangxi and Hunan, with the inland grain-producing provinces providing Guangdong with some support in grain, and Guangdong transferring some profits to the inland provinces. Jiangxi has up to 10 million mu of middle- and low-yield farmland, but is financially unable to develop them. Guangdong is better off financially, has more money, and can invest in some grain-production bases in Jiangxi, which will supply grain to Guangdong in the future, thus beneficial to both.

4. It is necessary to increase grain production according to local conditions. Because economic development is uneven and there are rather great differences between various areas, the strategies for grain production should be selected according to the actual conditions in the different types of areas and with specific emphasis for each type. The first type is the economically developed areas, including mainly Beijing, Tianjin, Shanghai, the Changjiang Delta, the Zhujiang Delta, and the Liaodong Peninsula. In these areas, the acreage sown to grain should be stabilized, and the emphasis should be placed on improving grain production efficiency. The second type is areas of middle economic level, including the north China plain, northeast plain, most parts of the plains in the middle and lower reaches of the Changjiang River, and the agricultural areas along the Huanghe, Huaihe, and Haihe rivers. The emphasis is to solve the specific problems in the production and circulation process and bring the production potential of these areas into full play. The third type is the economically underdeveloped areas, including Yunnan, Guizhou, Guangxi, Gansu, Qinghai, and Ningxia provinces and autonomous regions, where it is necessary to adopt a round-about strategy, concentrate first on forestry, animal husbandry, and sideline production, accumulate strength, and gradually develop the grain production potential of the backward areas. Specifically speaking:

In the first type areas, the per capita farmland area is small, only 0.88 mu, and the multiple-cropping index is fairly high, up to 175 percent. The potential for expanding the area of grain farms is limited. The per unit area grain yield is fairly high, 307 kg per mu in 1987, as compared with the national average of 55 kg per mu. The application of chemical fertilizers has reached 102 kg per mu, nearly double the national level. Therefore, the most

important question of the developed areas is to harmonize relations, improve the environment, steadily increase grain production, and prevent grain production from sagging. On the one hand, it is necessary to check the continued shrinking of farmland and insure basic stability of the area of grain fields. On the other hand, it is necessary to properly solve the problem of interest distribution among trades and weaken the external forces pulling people away from grain production. This calls for coordinated measures in many areas. It is necessary to levy additional trade tax and product tax on industries and industrial crops which bring higher returns than grain production. The tax revenue should be put in a special grain fund and used for increasing grain production. Within grain production, efforts should be made to improve land productivity. In some city outskirts and economically developed areas, where conditions are ripe, measures should be adopted to encourage peasants to contract for land so that land will be gradually placed in the hands of competent farmers.

In the second type areas, the per capita farmland area is 1.59 mu, and the area of farmland per farm laborer is 4.46 mu. The relatively abundant land resources provide fairly good conditions for increasing grain production. At present, the per mu grain yield is 235 kg in these areas, more than 70 kg below the developed areas. The multiple-cropping index is 144 percent, seven percentage points lower than the national multiple-cropping index of 151 percent. There is some potential for growth by increasing the multiple-cropping index and expanding the area sown to grain. With regard to production input, 51 kg of chemical fertilizers were applied for each mu of farmland in 1987, more than 50 kg below the developed areas. The effectively irrigated area was 418.59 million mu, or 45.7 percent of the total area of cultivated land, which is lower than the national average. The lack of water resources, especially in north China, is the main factor limiting agricultural growth. The potential for increasing grain production is still considerable, provided the state will give priority to investment in key water conservancy projects.

In the third type areas, the production conditions are poor, and it is relatively difficult to improve them. The investment level is low. In 1987, the cost of materials spent on each mu of farmland was 45 yuan, only half of that of the developed areas. The chemical fertilizer application per mu was 49.3 kg, 8.7 kg below the national average of 58 kg and less than half of that in the developed areas. These areas have the greatest potential to raise yield per unit area by increasing the material input for agriculture. However, because of the low income of the peasants in these economically underdeveloped areas, with per capita net income under 370 yuan in 1987, the peasants' ability to invest is limited. To increase investment in grain production and boost grain output in these areas, it is necessary first to increase the peasants' income and build up their economic strength. Moreover, as the production conditions differ considerably from province to province in these

areas, the concrete measures should also be different. For example, the Hexi Corridor in Gansu Province, with 4.92 million mu of reclaimable wasteland, is more valuable for agricultural development and should be developed first. A sizable commodity grain base can be developed with wells, reservoirs, and canals built with state investment. At the same time, the peasants can be encouraged to grow melons and fruits to boost income and increase their own investment capacity. On the loess plateau, the emphasis should be placed on agricultural construction for dry farming to grow grass and trees, develop animal husbandry, and gradually prepare conditions for grain production.

B. To Curtail Consumption

To effectively check the excessive growth in grain consumption so that grain demand can be brought basically in line with the available grain supply, we should make full use of the price, credit, tax, and other economic levers to bring both productive consumption and personal consumption under control.

1. On productive consumption, we should strictly control the use of grain by industries. In 1988, grain used by industries (trade grain) totaled 10,726,000 tons, a 290 percent increase over 1978, at an average annual growth of 11.4 percent, far exceeding the growth rate of grain production. This problem is caused on the one hand by the "relative surplus" of grain production a few years ago, which has led to the one-sidedness of our guiding ideology, and on the other hand by the high profit of alcoholic products, which has led to the opening of large and small breweries and distilleries all over the country. To effectively control the excessive growth of industrial grain consumption, the state should check the start of new projects by tightening credit. At the same time, a special grain consumption tax should be imposed on industrial units which consume an excessive amount of grain, and the tax revenue should be set aside in a special grain development fund to be controlled by relevant central or provincial departments and used specifically for the development of grain production.

2. On personal consumption, we should apply the price means to check the excessive growth of grain consumption. State subsidies should be reduced as much as possible, particularly for meat, poultry, eggs, and other nonstaple foodstuffs. Consumers should be linked directly to producers. Only when prices rise or fall too sharply, should the state intervene by supporting the producers and dictating protective prices to maintain relatively stable supply of products. The present practice of relying on huge state subsidies to maintain excessively low consumer prices will inevitably stimulate consumption and further increase the state's financial burden.

Tianjin Reduces Irrational Grain Sales

90CE0015B Beijing JINGJI RIBAO in Chinese
27 Feb 90 p 2

[Article by Chai Mao (2693 5399): "Tianjin Municipality Reduced Irrational Grain Sales and Cut Back Its Financial Grain Subsidies 13 Million Yuan in 1989"]

[Text] The Tianjin Municipal Grain Bureau has achieved remarkable success in improving its grain sales management. The actual amount of grain that it sold to the nonagricultural population throughout Tianjin Municipality in 1989 was 1.11883 billion kg, or 12.025 million kg less than in 1988 which, based on financial grain subsidies of 1.09 yuan per kg, saved the state 13.107 million yuan. The major methods that it used to accomplish this are as follows:

- It emphasized reviewing of industrial and mess hall grain quotas. It reviewed one by one 3,355 grain-using units throughout the municipality in industries, such as food and drink, pastry, nonstaple food, and brewing. Through the review, it revised grain-use plans, recalled 584,800 kg of surplus grain, and reduced planned industrial grain quotas by 21.929 million kg. Moreover, it investigated 11,696 enterprise and institution mess halls, and reduced their grain quotas by 46.437 million kg.
- It strictly controlled grain sales. It conscientiously restricted residents' grain ration purchases to one month, used quarterly plans, monthly supplies, and invalidation after the specified date for industrial grain use, and supplied enterprise and institution mess halls with checked and ratified supply quota vouchers that were valid for only one month.
- It improved management. In order to control grain outflow, grain, public security, and industrial and commercial departments took action under the leadership of the municipal government to investigate and stop grain outflow from urban districts, investigating and stopping the outflow of 730,000 kg of grain in 1989.
- It changed its grain management system for urban districts from grain shop management to control center management, made all shops responsible for both profits and losses and, thus, brought into full play the important role of control centers in controlling grain and oil sales and reducing financial losses.

Yunnan's Hog Commodity Bases Thrive

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in Chinese 2 Feb 90 p 1

[Article by Shen Muqing (3088 3668 3532): "Twenty-one Commodity Hog Bases Report Good News. Sales of Pork to the State From Within the Province Increase; Shipments From Outside the Province Decline Markedly"]

[Excerpt][Passage omitted] During 1989, the building of commodity hog bases in the province came up against the multiple difficulties of a rise in the price of fodder, a decline in relative returns from the raising of hogs, and a market slump. In order to prevent a "slide" in hogs, 21 commodity hog base counties assiduously implemented the provincial government's "three protection" policy of "protecting bases, protecting breeding animals, and protecting the two households." Livestock, government finance, and commercial departments coordinated closely in the steady implementation of support policies formulated by all levels, intensified building of the service system, and went all out in promoting improved hog pens, the improvement of breeds through hybridization, blended feeds, and scientifically programmed immunizations as part of associated techniques for realizing "eight improvements." They also instituted scientific and technical contracting, and active procurement to maintain a fairly rapid speed of development from the increases made in 1988 in the number of hogs in inventory, the number removed from inventory, the number of commodity hogs, and the number purchased by the state. In 1989 every one of the 21 base counties increased output, removing a total of 2,357,000 hogs from inventory in a 105 percent fulfillment of annual plan. This was a 9.78 percent increase over 1988. Gross output of pork totaled 210,000 tons, 11.8 percent more than in 1988, and increasing 22 percent since before the building of the bases in 1987. A total of 1,344,000 head of commodity hogs were sold. This was a 7.1 percent increase over 1988. State-owned enterprises purchased 792,900 of this total, up 3.8 percent, and accounting for 44.2 percent of the total number purchased in the province. A total of 439,000 head were provided to the state, up 4.7 percent. This was 95 percent of the total amount that the province provided the state. Increase in supplies insured a supply to Kunming markets, only 11,000 tons being shipped into the province from other provinces, down 50 percent from 1988, and down 80 percent from 1987.

Yunnan Sets Up Agricultural Development Fund

90OH0478B Kunming YUNNAN RIBAO
in Chinese 7 Feb 90 p 1

[Article by Wang Xidong (3769 0823 2767): "Yunnan Province Begins To Build an Agricultural Development Fund"]

[Text] The correspondent has learned from provincial party and government policy making organs that the province has begun to set up a fund for agricultural development for the purpose of advancing the development of agriculture, particularly to take a step upward in grain production.

The province's agricultural development goals are to increase the province's annual grain output to 12.5 billion kilograms within six years, beginning in 1990, to make the province self-sufficient in grain; as well as to achieve all-around development of cash crops, and of

farming, forestry, animal husbandry, sideline occupations, and the fishing industry. In order to realize this plan, which has a bearing on the overall development of the province's economy, the provincial CPC Committee, and the provincial government are emphasizing the need to institute tilt policies, and to widen sources of funds, increasing investment in agriculture at multiple levels and through multiple channels. It was with this goal in mind that a decision was made to begin actively to build an agricultural development fund.

Ways and means of establishing an agricultural development fund are as follows: Collecting a budget regulation fund beginning in 1989, provinces, prefectures, and counties taking 10 percent of their own income from this fund for the agricultural development fund; withholding 70 percent of new tax receipts from township and town enterprises; increased income from farming, forestry, and special product taxes; withholding of tax receipts from individual rural industries and businesses, and privately-owned enterprises; and all of local withholdings of taxes from takeovers of cultivated land. All of the agricultural fund amassed is to be used primarily for the complete in-depth development of agriculture, particularly for the building of consistently high yielding farmland. This is because the province's realization of self-sufficiency in grain by 1995 will require to a very large extent, reliance on the building of 25 million mu of

consistently high yielding farmland, taking the road of agricultural development of increasing land yield rates. The building of consistently high yielding farmland requires firm attention to the building of basic facilities such as water conservancy, electric power, roads, and forests. This is a huge systems engineering project that cannot be done without the investment of large amounts of capital. Consequently, provincial party and government policy making organs require not only that all the agricultural development funds collected be used primarily on the building of consistently high yielding farmland, but also that state loans for the development of tropical regions, discounted forestry loans, loans for the old, the young, border regions, and the indigent, as well as development funds to assist undeveloped areas also be used mostly for the overall development of agriculture, and for the building of consistently high-yielding farmland.

Zhejiang Peasant Income

40060042C Beijing JINGJI CANKAO
in Chinese 14 Mar 90 p 1

[Summary] In 1989 per capita peasant income in Zhejiang Province was 1010.72 yuan, an increase of 108.36 yuan over 1988.

Muddling Along: 1990's Lifestyle of Choice
90ON0415A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 1, 10 Jan 90 p 34

[Article by Lin Jiuyi (2651 3773 0001): "Muddle Through—A Lifestyle and Value Judgment"]

[Text] *Editor's Note: We published a letter from Mr. Lin Jiuyi to the editor, which severely criticizes the social phenomenon of "muddling" or "drifting" along. He also makes a key point—that "muddling along" has become a social lifestyle and value judgment. At the same time, he believes that it is contributing to our decline as a people and as individuals, making us lose our ability to move ahead and our self-confidence. "Muddling along" is a gigantic cancerous growth in today's China. If we do not give it our serious attention and do not eradicate it, we can lose everything. Of course, while Mr. Lin's views do not necessarily represent those held by this publication, he has definitely raised the seriousness of one of modern China's major problems. We published his letter with the intention of arousing the serious attention of our entire society. At the same time, we hope that this will prompt a response from all walks of society to express their views and stimulate discussion. With the next issue we shall begin a series of special articles to report the readers' opinions on "muddling along" and how to cure it.*

Muddling Along: A Kind of Lifestyle and Value Judgment

Dear Editor:

Your publication includes the word "Social," so you must undoubtedly have a unique appraisal of society's mood. At the same time, surely you must have analyzed and done critiques of those social trends that are unhealthy and those that foster the development of a highly healthy society. One of the characteristics of a healthy society is that all of its members can move up the ladder and have a desire to move ahead. But the majority of society is not doing this. Our social well-being is something to be desired and "muddling along" is an indication of this lack of health.

I cannot give "muddling along" an accurate definition, perhaps you can. Our national language is one of the richest in the world, but the oral exchange between friends and colleagues is so tepid and vacuous: "How are things?" The answer is, "Oh, just muddling along from day to day." Even those who seem to be doing all right assess themselves as "muddling along OK." The goal of a lot of people is to continue to just muddle along and get somewhere. As to one's work? "Muddling along" is still the key. Don't do any more than required. Do as little as possible. Find loopholes in policies from above, stay neutral to rules and regulations below. Do everything for maximum gain with minimum effort. I believe that "muddling" has become the lifestyle and value of a great portion of society. It is used as the guideline for one's work and life and to gauge society and things in general. Its greatest expression can be seen from the lack of

enthusiasm for anything and or to do anything that is not interesting, or is interesting but requires effort. One seeks to do only those things that are interesting but that require no effort or thought. But what is "interesting"? I don't know! And so we fall into a vicious circle from which we cannot free ourselves and which, in turn, forms the basis of "muddling." We are listless and out of sorts, don't do anything, can't do anything. So we look for stimulation, play mahjong all day, frequent dance halls all day, watch sensual videotapes, read low-class literature. Or we simply stay home and sleep. We have lost our desire to achieve in life and work, live from day to day, and do not even have much interest in that. We use "muddling" to look at ourselves—"Are we muddling along OK?" We assess others—"How's he 'muddling along'?" What is life? Life is going through each day without any goals. I am greatly worried, where will this "muddling along" get us! A people just "muddling along" has no future, and even now, it is rotting us away as a people and as individuals. Like a malignant tumor embedded in our society and in each of us, it siphons off our nutrients, sprouts poison for our bodies and our souls, paralyzing us and making us yawn and doze off in our dealings with society, work, and life. As mankind now enters the nineties, we must give this problem our solemn attention, rejuvenate our national spirit. Otherwise, we shall lose everything because of "muddling along."

I am not an expert in social problems, I am no sociologist. I don't know how "muddling along" came about and where its source lies. I do not have a remedy to cure this sickness. So I hope you can explain it. Perhaps there are many people like me who hope for an answer.

Reader: Lin Jiuyi

Wang Shuo Discusses 'Wang Shuo Phenomenon'
90ON0374A Hong Kong PAI HSING [THE PEOPLE] in Chinese No 208, 16 Jan 90 pp 31-32

[Article by Hideo Tobari: "What Should One Do for This Society—An Interview With Wang Shuo About Writing Motivation and the 'Wang Shuo Phenomenon'"]

[Text] Divisions According to the Age of Television

Tobari: We say that Chen Kai-geh [7115 0418 2960], Chang Yi-Mou [1728 5669 6180] are "fifth-generation" directors, but put the directors of such movies as *Obstinate Lord* and *Auspicious Aura* as post-fifth. Will that do? That's because what they have done is not like *Red Sorghum* and *Yellow Earth* at all, but constitutes a new breakthrough.

Wang: No. They're all very young. Except for *Obstinate Lord*'s director, Mi Chia-shan [4717 1367 1472], who's a bit older, the others are all young. In a broad sense, they're about the same age as the fifth generation.

You just mentioned the Chinese directors who did things like the *Auspicious Aura*. Actually, most of them are making movies for the first time.

Tobari: You have any ideas on what to call them?

Wang: Not yet, but I seem to have heard the term "post-fifth generation" used around the Film Institute too.

Tobari: That's close to what I think. I feel that they should be in a new category, or pioneers of a new one. I set quite a store by these directors, and particularly appreciate the technique used in filming *Auspicious Aura*.

Wang: Actually, in the country at present, *Auspicious Aura* has not generated as much feedback as has *Obstinate Lord* or *Rotating Wheel*. That's because people feel that they accept the compromises these two pictures contain toward tradition. But the French Embassy in Beijing especially enjoyed *Auspicious Aura*, saying that it would recommend it to the Tri-Continental Film Festival and other like bodies. I must say frankly that, because of money and time problems, this movie seemed rather crudely made. Added to that is the fact that it was the director's first film, so the filming seemed somewhat hurried, and the end product rather rough.

Tobari: I'd like to know how old you are?

Wang: I'm 31. I was born on 23 August 1958.

Tobari: You're pretty young! When did you start to write?

Wang: I published seven or eight years ago in the service. At the time, it was printed in *JIEFANGJUN WENYI* [PLA LITERATURE AND ART]. But I really wrote in earnest when I got out of the Army in 1983. The first medium-length piece was in *DANGDAI* [CONTEMPORARY]. In the past, the short ones were written off-handedly. I started writing seriously in 1984.

Tobari: What are the special factors that make you enjoy writing?

Wang: It's rather simple when you think about it. When I was discharged, I was assigned to be a salesman for a pharmaceutical company; I thought the work uninteresting, and the pay was low, about 30 or so RMB [renminbi] monthly. Of course, the main thing was that I thought I wasn't getting anywhere. I decided to be on my own and resigned. After that, I found that I had no talent for business, and was unsuccessful in some ventures. At my wits' end, I started writing.

Tobari: Actually, you've always enjoyed literature.

Wang: Oh, yes! At the time, I thought I had no talent for anything, just a little clever mind; maybe I could do a bit better in literature, because it required very little capital. It only took a sheet of paper, a pen, and, if one had a bit of intelligence, one could write. I also thought that the

writers of the time were not that great, and my writing couldn't be that far from theirs. So, with this bit of confidence that I might not be good, but I wouldn't be that bad either; and even if I were bad, couldn't be much worse than theirs, I started to write.

Folk Literature Easy To Swallow

Tobari: Then the characterizations in your works of all walks of life, including some rascals, were they based upon your personal experiences or were they based upon your observances?

Wang: Basically I have experienced them, because I had no work from the time I resigned in 1983 and most of the people around me were unemployed. Besides, I have come to know many small business people, self-employed people, and those who were engaged in the business of helping others find work. Many among these people became my special good friends. I lived in that circle of friends and therefore chose to write about them. I chose them not because of any special significance, but because they were the only ones I was able to write about. I could not write about any other field, and wouldn't dare to.

Tobari: Then, according to your description, your career did not start out the same way as other writers' did.

Wang: Speaking frankly, now I want to put some distance between those writers and me, because I think I get my literary nutrition from oral folk literature. This is my greatest source. I Read very few Western classics or modern works. And, I don't want to learn too much from them because I consider style and technique in novels to be of secondary importance. Folk literature is a bit plain, but more lively. Furthermore, I must work according to my own abilities—I'm really not that well educated, therefore, it is hard for me to learn and digest complicated styles. On the other hand, folk literature comes to me easily. I have now basically chosen a cultural attitude—an anticultural model. The reason is very simple. Because I want to write, my contacts with scholars have increased. Therefore, I have discovered that they are not worthy of admiration as far as their character and knowledge are concerned. They rank below even a pedicab worker in being a person with emotions. They preach scholarly ideals and traditional philosophy about how one should cultivate oneself first, then run the country and bring peace to humanity. Yet, as soon as one comes in contact with them, one finds them lacking in the ideals they preach so often. One will see that their real lives fall far short of their insistence on "explain the order of the world through literary works," and the ideals of life they preach. They're very capable in calculating life, and will not accept any loss. Recently, the mainland published a book written by a Sichuan author of the thirties, titled *The Study of Thickness and Blackness*, which dealt with people who have "thick skin and black hearts." It talks about the idea that a "gentlemen preaches and practices righteousness." In reality this idea was for other people to hear and to follow; while the

gentleman lives according to self-interest. This in reality is a criticism of traditional Chinese culture.

Everybody Should Learn a Little Thickness and Blackness

Tobari: I remember when I was with Chen Kai-geh [7115 0418 2960] he said this generation's directors are all artists; artists should have a sense of mission. I find that you're not too keen on this sense of mission, that you are not enthusiastic about the sense of mission that asks "What should I do for society?"

Wang: Oh, I also have a sense of mission! He wants to be for the people, and so do I. It's just that we have contrasting ways of expressing it. They like to imbue the people with idealism, using what they consider to be ideal methods of behavior and thinking in motivating people. And how do I? I just hope to tell people that all those who want you to sacrifice yourself are people who have selfish motives. They're all bad people. I therefore think we all should learn to be a little "thick and black." When everyone has learned a bit "thick and black," one would not be fooled by the "blackness" of others. This is "do not harbor ill feelings for others, but do look out for yourself." It really isn't so harmful for everyone to learn a little evil.

Tobari: I guess Chen's thoughts are positive while yours are negative lessons. Right? (Laughs.)

Wang: Ha, ha! To speak from my personal experience, in my past school years everything the teacher instilled in us was related to "reasoning," which meant that the individual is insignificant and that one should live for the collective and the society. Everyone, therefore, is asked to make the greatest sacrifice in order to preserve the harmony of society. In reality, it is acceptable to ask us to make sacrifices, but after we do, who benefits in the end? Is it the entire society? I fear that those with ulterior motives will benefit. So, if you want me to sacrifice now, I must see clearly who are the people in the society. Aren't the people made up of every individual? They have hurt my interests to the greatest possible extent, and in the end they obtained their satisfaction. Yet, after all this, who is the real beneficiary? On this point, therefore, I believe that to think this way will reduce one's chances of being taken for a ride and being used by others. This is how I think.

The Advent of the "Wang Shuo Phenomenon"

Tobari: The final question is about "Wang Shuo Phenomenon" in the mainland. I hear people talk about it, just what is this?

Wang: This is a catch phrase in the film industry. In the world of the novelists, there is a commentator named Leida. He wrote a commentary saying that my writings don't resemble Western modernists, nor do they follow traditional Chinese realism. He thought that the values I just described were interesting, not simply destructive. Regarding the so-called "rascally" views of traditional

viewpoints, these are what scholars call "ruffian culture" to be pitied for lacking in spirit. I don't know if you have seen a movie called *Ya-Ma-Ha Fish Registry*, which is a film about self-employed workers. In it, the theme was that society's youth will make money, have material possessions, but must accept the mainstream culture spiritually in order to be spiritually fulfilled. I, however, have reversed this theme in my writings. And I don't feel I am spiritually shriveled, they are. I feel I am expressing the powers of individual characters. My thoughts are different from those "orthodox" thoughts.

Tobari: Do you plan to create a new culture and a new kind of value?

Wang: I think that would be overstating it. But I think I have at least turned my back on traditional culture, but have not felt a corresponding spiritual thirst. Instead, I feel that those who pursue traditional culture and those who even catch it are spiritually impotent. Today, there are many youths who are living interesting lives, but some people just can't accept this fact. On the contrary, if you chose to express the spiritual pains of youth, they will tolerate it. As soon as you write about the joys of youth, they feel threatened.

Tobari: I am just beginning to understand the way you think. Thank you so much!

(End of interview.)

Floating Population Puts Strain on Urban Areas

400N0415B Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 1, 20 Jan 90 pp 7-9

[Article by Gu Chu (6253 0443): "Face to Face With the Aimless Drifters"]

[Text] As the extraordinary 1980's decade closed, Beijing published a startling bit of news. The national population of "drifters" had reached 50 million people, or one in every 20 Chinese.

Such a huge army of 50 million drifters is the equivalent of the entire population of West Germany or of France having pulled up stakes and moved elsewhere.

The direction and the concentration of the flow are also quite clear. As if responding to a single call, large numbers of peasants from every place abandoned their fertile fields, turned their backs on their homes, and rolled like the tide toward cities, and in particular toward the major urban areas. The Ministry of Public Security has revealed that, of the 23 cities with over a million in population, the average daily rate of movement has shot past 10 million. Among them, Shanghai accounted for 1.83 million, Beijing 1.15 million, and Guangzhou 1.1 million.

The phenomenon of 50 million drifters flooding relentlessly toward the urban areas has become the panoramic view of life in China.

People are bound to ask, "Why such a fierce and rapid onslaught?" As a nation and as a society, should we rejoice or worry? Is it calamity or blessing? Gain or loss?

Here below we shall narrow our focus on the largest cities such Beijing and Shanghai and do some closeups in an attempt to sketch the general picture and perhaps find some clues.

Capital Plagued by Bulging Population

The Beijing Railway Station, which is the gateway to the capital, was one of the capital's great building achievements of the 1950's. It was originally designed to carry a daily traffic of 50,000 people. In recent years, with the opening up of commodity economies on all fronts, people have been flooding this capital of modernization and the station now sees a daily ebb and flow of more than 250,000 people.

Aside from this basically fluid population of travelers, several thousand stay inside the station, in the waiting rooms, in the square outside, and even on the walkways, in rows and piles, in every position, seeming almost to lie on top of each other. Many have no business being there, are not travelers, nor are they visiting friends or relatives. Possibly they are looking for frivolous lawsuits, some are fired housekeepers or nannies. Or perhaps they are unemployed laborers or merchants who have gone out of business. Still, they may be plain unemployed drifters who have no money for hotels or who do not want a hotel and decided to make the station their "home." Therefore, such scandalous goings-on as pan-handlers, venders, scrap-pickers, thieves, loiterers, young and old, male and female, are commonly referred to as the "aimless drifters" of the station.

Closeup One. A woman of 77 years with about 40 years of teaching experience under her belt came from Jiangsu's Yixing. In the ten years of turbulence, her spouse died, wrongly accused by the state. She bore straight toward Beijing to clear him. Putting her bedding down in a corner in front of the station, she now has made it her home for at least half a year, showing no intention of going home.

Closeup Two. Not too far from the lady, there is a 16-year-old boy from Shandong's Heze. With his father dead and his mother mentally ill, he bummed around for two years and then settled down at the station. His vocation was to look for discarded paper food containers to be sold every evening as ground covers for travelers who were spending the night at the station, earning a few RMB [renminbi] each day. Aside from food, he could even buy some tobacco.

Closeup Three. He [0149], a peasant from Hebei, is a healthy man of 45. He has family at home, yet he has been hanging around the station for more than eight months. Asked why, his answer was that there was little land at home, low income, no work to do. So he was here

to earn a little money. Asked how he could earn money loitering at the station, he said he helped sweep and keep the place clean...

Closeup Four. Two fashionably dressed girls, approximately in their 20's, stand on the north side of the station, in front of a hotel, working as barkers by shouting "Stay in this hotel! Stay here!" They are self-proclaimed promoters of the hotel, which is operated by a relative who gives each of them room and board and about 100 RMB monthly. They are very satisfied and have been here for more than five years.

The officers at the People's Police branch at the station say there are even longer stays. There have been romantic encounters, marriages, "homesteading," and children who have grown there!

Of course, the authorities have, for the sake of maintaining order, periodically swept through, inspected, and shipped these drifters off to shelters. Yet, day after day, month after month, year after year, there is only increase. According to records, there were only 6,700 people put in shelters for all of 1987. By 1988, the figure had passed 10,000.

In the midst of travelers' complaints, curses of those victimized by thefts and swindles, the gasps and sighs of those who witness such goings-on, the solemn peals of the station clock seem to moan repeatedly for society's help. Beijing Station has reached its capacity.

Documentation shows that there are more than 700,000 out-of-town peasants presently employed in Beijing. This includes 650,000 laborers, 60,000 in commerce, 20,000 in petty housekeeping and related activities. Such a large volume of peasant labor has contributed immensely to the city's building, and has made the life of the residents easier. But the continuous influx has brought a series of social problems. It has complicated the employment problem—most are low-skilled, non-technical help. Long-term use means lower quality craftsmanship. It has increased the tensions in such areas as public transportation and food supply, as well as social order, and has aggravated inequities in distribution. Also, the planned parenthood of the incoming peasantry has gotten out of control.

Shanghai Stuffed to the Seams

Shanghai, the great Far Eastern metropolitan monument to opening up, ranks first among the cities of the world in population density. In an average space of more than 20,000 people per square kilometer, there are still more people coming from elsewhere. Famous Nanjing or Southern Capital Road, in recent years has taken on the transliterated nickname of "Nanjing or Hard to Enter" Road. Official estimates place outsiders at over two-thirds of the total number of people who inhabit the noisy and crowded districts around Nanjing and Huaihai Roads.

A 1988 random survey showed that there were more than 7 million legal residents in Shanghai, but 2.09 million others who had migrated there. In other words, two of every nine persons were not registered residents. Among these, more than 1.26 million had "settled" in with residents or in peasant homes for the long run. No wonder the people of Shanghai have become blasé about these widespread "foreign tribes." At Zhengru near Shanghai's West Station, there are about 2,000 peasants out of a total population of 4,000. But the "tribal outsiders" number nearly 10,000.

If you were a Shanghai resident, all you had to do was take a few steps on any street and you could see their traces. On jammed buses, carrying bulky packages and afraid of missing their station stops, they fuss and fidget, some are so hemmed in they can't get off. The workers perched on the forests of scaffolding at construction sites are largely outsiders, working dirty and wearisome jobs disdained by city residents, building skyscraper after skyscraper, yet regarded with contempt by the city residents. Pleading their cases in front of halls and at free markets, girls selling eggs and plastic products have become common sights. Some even flirt with the young bucks nearby... Among these 2 million or so restive outsiders, discounting those who have come to study or for meetings, tourists, and those here to see relatives or friends or to set up businesses, are many lawless drifters. Fugitives, beggars, scrap-pickers, ticket scalpers, youthful school dropouts, those with mental illnesses, those fleeing planned parenthood, and other "black residents" complicate the situation and pose a threat to social order. Shanghai takes in about 10,000 each year. Authorities estimate that the 500 or so beggars along its streets are also mostly from other areas.

Closeup Five. Mr. Jiang [3068], about 40, from Anhui's Huabei. Unkempt, in rags, and filthy from head to toe. During the day, punctual to a fault, he would lie down next to a hydrant near a store on Nanjing Road, holding a beat-up can and placing a large paper on the ground telling his heart-wrenching woes about natural disasters at home and scattered family members and beg for money. His average daily take was about 50 RMB. Sometimes, he would do an "extra shift" in the evening by going to Huangpu Park, a favorite place for young lovers, or to the Bund, netting an extra 100 on these occasions. Of course, he has been deported to his place of origin a number of times, but the good pickings in Shanghai always drew him back. One evening, taking advantage of a couple who were embracing and kissing, he stole a package from them. Stealing again and again, he finally got caught and once again was escorted home. His escorts were astonished to see his circumstances. This Jiang lived in a two-story dwelling with three rooms on each floor, tastefully furnished, and even with quite a few electrical appliances.

At present, there is a sizable corps of scrap hunters, about 30,000, mostly from Jiangsu, Zhejiang, and Anhui, who had drifted to Shanghai. They even coined rhymes: "Want to fly high? Go to Shanghai. Want to

build a dwelling? Go scrap hunting." Or, "Shanghai is heaven. Streetside warehouses are banks. Come empty-handed. Go back with a house."

Closeup Six. A Mr. Lin [2651], age 55, from Jiangsu's Huaiyin. Once a straight-and-narrow warehouse custodian of a production team, with a family of seven—he and his wife plus aging father and three children [as published] But because none went into township enterprise, they were extremely poor. Seeing so many people dash to Shanghai to pick scraps, going empty, returning laden, he did the same. Three years ago he dragged his wife and two sons on a bus with other villagers for Shanghai, renting housing shared by fellow villagers. Going out early and returning late, he went about pushing a little cart. Now, he has built a tiled house with 15 rooms. At a banquet celebrating the feat, he proudly acknowledged, "I owe all this to the people of Shanghai!"

How can scrap pickers get rich so quickly? It is really rather simple. Some of them resort to stealing materials.

Closeup Seven. One evening, some scrap hunters from Zhejiang took advantage of the dark to "borrow" a big truck and a crane, went to a factory, and stole copper electric wiring worth about 100,000 RMB to sell later.

Closeup Eight. A peasant named Chen [7115] was a daring criminal. He rented a house on Shanghai's Hydroelectric Road. For half a year, he specialized in nighttime burglaries of big factories nearby, committing 23 crimes and netting stolen materials valued at over 20,000 RMB. He was able to go home, build a house, and marry. Ultimately he was discovered, sentenced to 15 years in prison, and had 7,800 RMB confiscated.

Guangzhou Howls With Anguish

Even as Beijing and Shanghai suffer a continuous increase in drifters, Guangzhou, that metropolis rapidly opening up to the south, has also seen the drifter forces mass. After the Chinese New Year Festival in 1989, would-be laborers from outside the province, numbering in the tens of thousands, descended upon such places as Guangzhou and Shenzhen in the hope of finding work, crowding various stations along the rail line, at the docks, forming in clusters looking to be hired. In less than two weeks, the Guangdong population increase topped 250,000. Authorities say that the number of outsiders in Guangdong vastly increased during the 10-year period of opening up. In 1979, there were 480,000; 1.29 million people applied for temporary residence permits in 1986. In 1988 2.94 million applied. If one were to add to it the large numbers who came to do business and who are tourists, the total nonpermanent population would be over 5 million. These people are concentrated in Guangzhou, Shenzhen, Zhuhai, and the Zhujiang Delta areas. The outsiders in some of these places even outnumber the residents. For example, Shenzhen's regular residents number about 310,000, but holders of temporary permits are 580,000. Baoan Magistracy has 270,000 residents, but nonresidents number 620,000. Why wouldn't the locals "howl"?

Initial Analysis of the Causes of "Drifting"

One must conclude that urban increase in the nonresident population and constant movement are natural consequences of China's reforms, opening up, and the development of a commodity economy. From a sociological standpoint, the changes in roles, positions, occupations, class levels, and locations, as well as a fluid society are common phenomena accompanying such changes anywhere. Western scholars have also considered such social fluidity as a characteristic of an industrial society. The problem is that there are normal, reasonable movements and abnormal, unreasonable ones. In recent years, most of the massive migration of peasants toward the cities has been an aimless sort of drifting, yet it might be historically inevitable. We cannot avoid reality in searching for the roots, but must conclude that this is the bitter consequence of low village productivity and massive surplus labor. Specifically:

First, if capital construction could be reduced, large numbers of laborers who had gone to the cities to be in construction could return to the villages. But the days when Mao Zedong could summon peasants hither and fro are gone. The peasant of today has broadened his horizons, has a greater consciousness of commodity economics, and is more willing to take financial risks. So he continues to leave to find a greener pasture.

Second, with township enterprise sliding, part of it bankrupt, some engaged in it have in fact returned to the village. But limited land cannot absorb the increased availability of labor. So, rather than stay home idle, some prefer to go to the cities to try their luck.

Third, we have an acute paradox of being people rich and land poor. This is a leading reason for the "aimless drifting." Our population went over 1.1 billion in April 1989. We are now increasing each year by 2 percent, but the land is decreasing by five percent. In 1986, our average farm land per person decreased to about one-fourth of the world average. It is predicted that by the year 2020 our worker population will reach 900 million. At that time, there will be three people eating the food for one. The population explosion is bearing down hard on the back of our republic, making it hard to move. Right behind the army of 50 million "drifters" will be shadows of the hordes of the unemployed. Some experts are sighing sadly that if the overall quality of the population keeps decreasing and the number keeps increasing, we might not see our country become modernized in a hundred years. Perhaps overly pessimistic, this inauspicious prediction is not without basis.

The "aimless drifting" phenomenon did not start yesterday. It first appeared in the early 1950's and has seen few interruptions. It only began to seem more prominent in recent years because of policy changes and natural and manmade catastrophes. Its presence is ultimately tied to the problems of population explosion and surplus labor.

A scholar put it quite clearly—surplus village labor is just unemployed citizens. If we disregard urban versus rural

distinctions and look at it objectively as a whole, our unemployment rate is probably in the double digits, not single digits. Herein lies the cause of the affliction.

Only if the decisionmakers face this perilous situation with clear recognition and take scientific measures to remedy will it get to the source and effectively, reasonably control and resolve the problem.

Scientist Rebuked for Role in Incident

90ON0351A Hong Kong MING PAO YUE KAN [MING PAO MONTHLY] in Chinese No 2, Feb 90 pp 83-84

[Letter from "A Young Beijinger": "An Open Letter to Ye Duzheng (0673 4648 2973), Zhou Peiyuan (0719 1014 3293), and Zhou Guangzhao (0719 0342 0664)]

[Text] Editor's Note: This open letter could not be published in China. Eventually it found its way to France, and was sent to our magazine by our friends there. Parts of the content of this letter were details yet unknown to people abroad and could serve as historical reference. [end editor's note]

Dear Sirs,

You are the cream of China's scientific fraternity. Unlike the shameless Qian Xuesen, you all enjoy good reputations. I learned about your stance and actions around the time of the 4 June massacre from my elders and teachers. I respect Mr. Zhou Peiyuan, but I esteem and admire Mr. Ye Duzheng more. My feelings for Mr. Zhou Guangzhao, however, are rather mixed.

As a meteorologist, Mr. Ye, you indignantly denounced the butchers and traitors of the people after the 4 June massacre. You stepped forward and asked the party committee secretary to reflect your views to the higher level, letting it be known that you needed no one to shield or protect you. Under the merciless rule of the CPC, the example set by you has given people of the younger generation tremendous inspiration and education. Everyone is busy telling one another about your integrity and noble feelings.

As a physicist and former chancellor of Beijing University, Mr. Zhou, you enjoyed a good reputation. The way you condemned and rebuked the extreme left in Beijing University after the death of Mao Zedong left the younger generation with a deep impression. However, your performance on the political level has been quite reproachable over the years. As a Communist Party member, you are concurrently the head of the Jiu San Society.¹ This is a joke, albeit not a rare one, under the autocratic rule of the CPC. That is why many honest and decent intellectuals feel it quite beneath them to join Jiu San. Someone tried to persuade my father to join, saying that it would benefit him. My father scornfully said no. He said some of his colleagues had joined the society. The intentions of those who joined were probably not all that pure. One wonders what motivated the intellectuals to join the CPC and democratic parties these past years.

Can it be that they have failed to see how degenerate the CPC has become? Can it be that they do not know the nature of the democratic parties? Can any decent person who has a sense of justice bring himself or herself to join such a reactionary political party and those so-called "democratic" parties? Pity that you are connected with both.

That aside, I respect you because, after all, you are different from shameless persons like Qian Xuesen. After 4 June, you were unusually silent. Your lips were sealed, unlike those bootlickers who sang the praises of the suppression. For this alone you have won the respect of the younger generation. My elders and teachers once reproached you for your double capacity. However, with that old monkey Qian Xuesen who kept dancing about serving as your foil, we still look to you with respect.

Mr. Zhou Guangzhao, I have learned from my elders that you are a clear-headed scholar and leading administrative official. We all hold you in esteem and admiration. However, the events around 4 June made me cast doubts about you. I do not support your actions.

You were in Sweden before 4 June. When the troops moved into Beijing, you declared emotionally that if they so much as fired a single shot, you would immediately hand in your resignation. However, the troops did open fire and the tanks did push their way through. Did you resign? Seen in whatever light, your resignation from the post of president of the Chinese Academy of Sciences would land as a heavy bomb in the reactionary clique. When mass criticism of official profiteering and corruption spread like a raging fire, you indignantly added your share of criticism, but when the dust had settled and the corrupt officials were back in power, your anger and indignation were dumped like old shoes. You still sit securely on your throne as president of the Chinese Academy of Sciences. Your deeds as a member of the CPC are so despicable, mean, and reactionary. Have you no shame? Do you not feel ashamed being politically at one with the hideous "Central Committee"?

Of course, I have also heard that you did not resign because you wanted to protect the scientists of the whole academy. You went to see the demons Li and Jiang, and told them that the staff of the Academy of Sciences are good people. As a result, many scientists were spared disaster. Please note, Mr. Zhou Guangzhao, that during the Cultural Revolution Zhou Enlai also resorted to all and every means to protect the aging cadres. What good did that do? Zhou Enlai was, in fact, helping the tyrant with his evil-doings. Is this not what you, Mr. Zhou, are doing today? You have served your masters faithfully by whitewashing and supporting the reactionary regime. There are presently two evaluations of you: My elders and teachers praise you, but we people of the younger generation see you in a negative light.

My teacher once told me a story about the criticism of honest officials during the Cultural Revolution. At that time, I thought that all officials, whether honest or

corrupt, were lackeys of the feudal rulers. I am tempted to associate this story with the reality of today. I think that your role is the same as that of Qian Xuesen's. China has no future and the CPC has no future because we have despicable people like Qian Xuesen and compromisers like Zhou Guangzhao, but lack impassioned and honest people.

The sky will clear one day. When the time comes, Qian Xuesen will be openly reviled. Do you think you will win the respect of the public for "having protected scientists"?

The quality of the scores of millions CPC members is basically very poor. They are overcautious and waver like grass over the fence. Under the despotic power of Mao Zedong, only Zhang Zhixin managed to stand out.² This is a shameful record for the Chinese Communists. Under Deng Xiaoping's butcher knife, how many party members dared to stick their necks out for the truth? How many of them dared to openly say what they truly think? Party members are spineless creatures!

The 4 June movement for democracy failed. It was the residents of Beijing, workers, and students who sacrificed their lives and shed blood. Had the movement been successful, it would definitely have been the party members who came out to claim credit and claim that they supported the movement and took an active part in the movement. If the democratic movement fails, the party members will observe the "golden rule of silence"; if the democratic movement succeeds, they will change their identity and become heroes who had participated and led the movement.

Are you the weak one, Mr. Zhou?

New Guidelines Set for Identifying Illegal Publications

90P30002A

[Editorial Report] The semiweekly newspaper WEN-ZHAI BAO in Chinese on 1 Mar p 1 reprinted an article from ZHONGGUO WENHUA BAO [CHINESE CULTURE NEWSPAPER] dated 21 February reporting the China Press and Publication Administration's guidelines for identifying illegal publications. The article reports that after examining the 239 revoked publications submitted by 4 provinces during the months of September, October, and November, the Adminstration discovered that 166 or 69 percent of the 239 banned publications should have not been terminated. The Adminstration requested concerned organizations, when scrutinizing publications, to observe the following: 1. Literary works, or research studies dealing with marriage, love, sex, or women's issues should not be treated as pornography. 2. Scientific works on sex education should be distinguished from vulgar, sex-promoting publications written in poor taste. 3. Publications on psychology, psychiatry, or biological studies should not be confused with those devoted to supertitious fortune-telling. 4. Publications depicting chivalrous conduct such as "robbing the rich to

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help the poor" are permissible. They are different from those containing sensational descriptions of murder or other violent behavior. 5. Book covers and illustrations, although poorly designed and appearing vulgar and sensational, should be tolerated and allowed as long as they are not intended to ballyhoo obscenity, viloence, and crime.

Relations Between Literature, Party Spirit Viewed

*HK2803031990 Beijing RENMIN RIBAO in Chinese
13 Mar 90 p 6*

[Report by Wen Liping (2429 3810 1627): "Revolutionary Art and Literature Should Adhere to the Principles of the Party Spirit of the Proletariat"]

[Text] On 15 February, the Marxist Art and Literary Theories Research Institute of the China Art Graduate School and the editorial department of LITERARY AND ARTISTIC THEORIES AND CRITICISM held a symposium on "the Questions About the Principles of the Party Spirit in Literature and Art."

Participants in the symposium reviewed the history of the development of the principles of party spirit in art and literature and their role in artistic and literary movements. They concentrated on discussing the great significance and basic contents of the principles of the party spirit in art and literature as advanced by Lenin, the relations between party spirit and people's character, the relations between party spirit and creative freedom, and the like.

They all held: The principles of party spirit in literature and art advanced by Lenin is an important integral part of the ideological theory of Marxism and is one of the guiding principles of Marxist literary and art theories. They are significant in generally guiding socialist literature and art. However, in recent years, the principles of party spirit have been regarded as a rigid "leftist" concept, and have been distorted and played down. In the meantime, the idea of bourgeois liberalization has forced its way into artistic and literary circles, causing great confusion in our thoughts over what is right and

what is wrong. Therefore, it is the demand of the times to stress again Lenin's principles of party spirit in art and literature.

The meeting held that the basic contents included in the principles of party spirit in art and literature as advanced by Lenin are: First, revolutionary literature and art are an integral part of the party's entire revolutionary cause and therefore must be closely linked with the proletariat cause. Second, literature and art must serve tens of thousands of workers and the broad masses of the people, and must never serve only a handful of people. Third, the party must lead literary and artistic undertakings in the political, ideological, and organizational realms.

On the relations between the party spirit in literature and art and people's character, it is said that some people once held that the people's character is superior to the party spirit and that they even made them stand in opposition to each other. This idea is incorrect.

When discussing the relations between the principles of the party spirit in art and literature and creative freedom, some comrades said: The party spirit in history, philosophy, and politics is not exactly the same as that in literature. Besides its universality, the party spirit in literature also has its particularity which is found in the process of literary and artistic creation and in the the functions of literature and art such as understanding, education, and aesthetics. All comrades held that Lenin's theory on party spirit in literature correctly analyzes the relations of literature and art to politics and the people, and the relations between literary thought and form. It has corrected the relations between literary and artistic work and the party leadership, and scientifically solved the relations between the party spirit, class character, and people's character. Mao Zedong's literary and artistic thought and comrade Deng Xiaoping's "comment on literature and art" have gloriously been inherited from and developed Lenin's party spirit in literature and art. It is the call of the times for us to restudy Marxist theory on party spirit in literature and art and to reiterate the principles of party spirit in literature and art.

EAST REGION

Jiangxi Enhances Training for New Party Members

90ON0404A Nanchang JIANGXI RIBAO
in Chinese 2 Feb 90 p 1

[Article by Yang Song (2799 2646): "Get a Good Hold on Education Aimed at Young Party Members, New Party Members, and Party Building"]

[Text] Beginning now and lasting for a certain period of time into the future, party member education work, in addition to carrying out overall standard education for party members, should also stress education aimed at young and new party members, and party building. These are the requirements proposed by the recently convened forum on party member education.

The comrades attending the forum feel that, since the Third Plenary Session of the 11th CPC Central Committee, the CPC has attracted a large number of new party members of which the great majority are fairly young; these new members are the party's guarantee that party undertakings will be carried on in the future. After joining the party, a large number of these young people put full effort into study, were diligent in work, vigorously forged ahead with reform and opening up, boldly shouldered difficult responsibilities in economic construction, gave full play to their model vanguard role, and are able to endure difficult tests. However, we also need to look at the fact that during these few years, because we were not strict enough when checking out prospective party members, some new party members did not go through systematic and necessary education prior to joining the party. After these people joined the party, it was discovered that they also lacked the rigorous tempering needed for inner-party life. This resulted in the quality of some young and new party members being unsatisfactory and in their being unable to adapt to the mission requirements of the current situation. We should have a high sense of responsibility and sense of urgency in taking the education of young and new party members seriously to comprehensively raise their ideological awareness and political quality. This is a problem that is related to whether party undertakings rise or decline, and to whether these undertakings are successful or fail. It is also an important task for us to perform in carrying out party building.

The comrades attending the forum also believe that we should earnestly resolve the current ideological questions concerning joining the party. We need to carry out systematic and in-depth education of the basic theories in Marxism-Leninism and Mao Zedong Thought, education of the party basic line, and education in fundamental knowledge of the party. The point to stress in present education is the use of a Marxist world outlook and methodology with regard to the education of young and new party members, and education aimed at building up the party. In order to make education

effective, we must improve the direction of the education, proceed from combining theory with practice in resolving problems of party members's ideological understanding, pay attention to distinguishing between administrative levels, give full play to the role of town and township party schools and the spare-time party schools of enterprises and party organs, and develop education in a down-to-earth manner.

This forum was held by the propaganda departments of the Jiangxi Provincial CPC Committee and the Nanchang Municipal CPC Committee. Those attending this forum included the responsible cadre from the Organization Department, CPC work committees of provincial-level organs, and the provincial party committee's party school. Also attending were some party committee secretaries from universities, colleges, and enterprises, and directors from county CPC Committee propaganda departments.

Jiangxi Strengthens Cadre-Masses Relationship

90ON0404B Nanchang JIANGXI RIBAO
in Chinese 4 Feb 90 pp 1, 3

[Article by Gu Jianqiang (7357 1696 1730): "Maintain Links With the Masses, Improve Work Style, Do a Good Job in Work"]

[Text] On 3 February, the Organization Department of the provincial party committee and the provincial Personnel Office held a forum on provincial-level organs sending cadres to work in grassroots units. More than 40 cadres who are either currently working in grassroots units or are to be sent to grassroots units gathered together to discuss experiences, talk about planning, and to show determination to work hard at the forefront of grassroots units, undergo training, and enhance their capabilities.

In May of 1989, provincial-level organs approved the sending of 33 cadres to grassroots units to assume official positions. After six months, these cadres had accomplished a large amount of work, tempered their ideology, enhanced their capabilities, and promoted an improvement in party-masses and cadre-masses relations.

At the beginning of this year, a second group of 30 cadres to be sent to grassroots units was approved; of this second group, 12 are to assume the work of being assistants to county and prefecture magistrates or similar work, and 18 are to be scientific and technical assistants to county magistrates.

Liu Fangren [0491 2455 0088] attended and also spoke at the forum. He said organs sending cadres to grassroots units to help with work is a fine tradition that will foster close links between the party and masses and overcome bad bureaucratic habits, and it is an important measure in changing the party organs' work style. In organizing the sending of cadres down to grassroots units, we should not only have time periods of two and three years but also periods of just several months; we should also not

only send them for just specific positions but also form them into work teams or investigative and study teams. The goal of this is to further develop links with the masses, improve work style, and do a good job in work to truly ensure stability of the overall situation and a sustained, stable development of the economy. Furthermore, through actual training in grassroots level work, we can raise the political quality and work abilities of our vast number of cadres.

Liu Fangren, as the representative of the provincial CPC Committee and the provincial government, gave a warm sendoff to the new group of cadres being sent to grassroots units and offered his best wishes to all of them. Liu Fangren stated that comrades who are sent to work at the grassroots level should definitely uphold the mass viewpoint, maintain an open mind in learning from the masses, and learn from the grassroots cadres. When things crop up, cadres should listen and watch more, carry out further investigation and study, and listen attentively to the voice of the masses. They should become good propagandists and widely spread the basic line and general and specific policies of the party.

The cadres should carry out political and ideological work with the masses in a patient and careful manner, arouse the masses to work hard at protecting stability and unity, enthusiastically complete all tasks passed down from the party and state, and make contributions to stabilize the overall situation. The relationship between training and work should be carefully and skillfully handled, cadres should work hard at improving their own abilities through actual practice and training in grassroots-level work, persist in preventing and overcoming a "gilded" and "guest" mentality, should not just become "observers" but persons of action who use a down-to-earth approach to become one with the grassroots-level cadres and masses. They should talk with the grassroots cadres and masses and help them solve actual problems in production, work, and daily life, and work in a practical and realistic manner in the construction of the two [spiritual and material] civilizations in the local area.

Liu Fangren requires that cadres sent to grassroots units exercise strict self-discipline, strictly observe the party's political discipline and the organ's discipline, observe the stipulations of the provincial party committee and provincial government concerning the building of a honest and clean government, conscientiously accept supervision by the organs and masses, be diligent in conducting government affairs, be honest and upright with the people, be impartial in managing affairs, have a democratic style of work, lead a thrifty and simple life, and show diligence in government affairs and honesty in government through their own actions.

During the forum, representatives of the first group of cadres sent to grassroots units talked freely about their feelings and experiences concerning work in the grassroots units. All of these cadres felt a truly effective way to train cadres and improve their capabilities is organs to

send cadres to work in grassroots units. The new group of cadres to be sent to grassroots units expressed that they would live up to the expectations of the provincial party committee, provincial government, grassroots-level cadres, and the masses, that they would work hard, and strive to make new contributions in building the two civilizations at the grassroots level.

This forum was chaired by Lu Xiuzhen [4151 4423 3791], a Standing Committee member of the provincial party committee and director of the Organization Department of the provincial party committee. Vice Governor Chen Guizun [7115 4097 1415], and responsible comrades from the Organization Department, provincial Personnel Office, and work committees of provincial-level organs also participated in the forum.

Tradition of Good Cadre-Mass Relations Emphasized

90ON0451A Nanchang JIANGXI RIBAO
in Chinese 16 Feb 90 p 4

[Article by Zeng Xingnan (2582 5281 3055) and Wang Peng (3769 7720): "Historical Lessons To Be Drawn From the Traditional Style of Soviet Areas"]

[Text] During the second Chinese revolutionary war era, the older generation of revolutionaries and the people of soviet areas formed a body of revolutionary tradition through practice. The quintessence of this revolutionary tradition was, in a nutshell, the spirit of close relations with the masses.

Close relations with the masses were reflected in the work style of soviet area cadres at that time. "Cadres in soviet areas have a fine style, from the carrying of their own rations when they perform official duties to wearing straw sandals when they engage in the revolution, to carrying lanterns when moving over mountain roads at night." This widely popular mountain song from Xingguo [in southern Jiangxi Province] is a vivid expression of the work style of cadres in soviet areas at that time in maintaining close relations with the masses. Comrade Mao Zedong visited Xingguo seven times, each time going deep among the masses to investigate and study, and to sit side by side and talk intimately with them, enjoying the love and esteem of the masses. He also earnestly instructed soviet area cadres to be like "monks chanting the name of the Buddha, always talking about the masses." The practice and teachings of the older generation of revolutionaries both influenced and spurred a solid work style of close association with the masses among the cadres at Xingguo in the soviet area. During that period when work personnel in the Changgang Township government wanted to rally the masses to join the Army and fight, they did not sit in their offices issuing notices or writing reports. Instead, they went down among the masses to help the masses everywhere

with their problems, ranging from getting daily necessities to major decisions about joining the Army to support the front. Their style in solving the masses' problems in concrete and realistic ways earned Comrade Mao Zedong's praise. He said, "Changgang Township solves every one of the masses' difficult problems in a most concrete and most realistic way." It was this work style of maintaining close relations with the masses that was one of the distinguishing features of the revolutionary tradition in soviet areas.

Close relations with the masses were also embodied in the work methods of soviet area cadres at that time. We know that soviet areas were then facing two large tasks. They had to organize the masses to support the revolutionary war, to develop the Red Army, to make the Red Army stronger, and to spread revolution throughout the country. At the same time, they also had to improve the livelihood of the masses in order to rid Red Army soldiers on the front line of their worries about their families, and to obtain the support of the broad masses of people. Faced with such a daunting and complex task, scientific work methods were a constant concern of cadres at all levels in the soviet area. In his survey of Changgang Township, Comrade Mao Zedong fully affirmed the work methods of cadres maintaining close relations with the masses at Xingguo in the soviet area. Taking aim at the serious errors of perfunctory performance and dilatory discharge of responsibilities, and resort to coercion and commandism on the part of soviet organs in some places at that time, he said: This makes for bad relations between the soviets and the masses; it is one of the main reasons blocking performance of the soviets' mission. However, the work of Changgang Township is characterized by "its ability to spare no effort in mobilizing the masses, employing extreme patience in winning over the masses. Consequently, it is able to fulfill its mission, and gain the highest speed."

Close relations with the masses were also reflected in the flesh-and-blood relationship between the Red Army and the masses in the soviet area at that time. During the second Chinese revolutionary war period, our party led the revolution under conditions of extreme difficulties and hardships. During that period, the soviet government and the mass of people were of one heart and one mind, their thoughts fixed on a single cause. They maintained a high degree of unity, and a flesh and blood relationship was established between the party and the masses, and between the armed forces and the common people. The masses actively supported the work of the soviet government and Army. In Xingguo in the soviet area at that time, the people set up tea stalls all along the route of the Red Army's march, and they voluntarily gave up their homes to the Red Army for use as quarters, as well as providing grain, vegetables, and firewood. At the same time, the government did everything possible to solve the masses' difficulties. One example was the preferential treatment accorded to Red Army family members. Throughout Xingguo County in the soviet area, various organizations and facilities were established including, "special treatment shops for Red Army

families," "special treatment granaries for Red Army families," and "special treatment farming teams for Red Army families," and so forth. The party's and government's handling of practical matters and genuine solution of problems for the masses won their revolutionary support. One might say that without the masses' vigorous support of the party and government and the building of a fine flesh-and-blood relationship between the party and the masses, it would not have been possible to do a top-flight job at Xingguo in the soviet area.

Like other matters, the formation of a revolutionary tradition in the soviet area also came about under specific historical conditions. The traditional style of closely linking with the masses came about as an accompaniment to the Xingguo people's doing a top-flight job.

First of all, organizations at all levels in the soviet area gave precedence to powerful ideological and political work. This was the soul of the revolutionary tradition of maintaining close relations with the masses. Cadres at all levels in the soviet area at that time reflect in their own practice the power and the role of ideological and political work. Mao Zedong and other older generation revolutionaries visited Xingguo several times, and they always paid special attention to doing a good job of mass ideological and political work. Examples included the convening of a mass meeting of several thousand people at Jixinling in Xingguo to propagandize the reasons and the stand underlying the revolution; and the running of land-revolution cadre training classes at Wenchanggong for the purpose of training a large number of outstanding ideological and political workers. The older generation of revolutionaries were like this, and official organs and cadres at all levels in Xingguo at the time also used wall newspapers, public lectures, slogans, picture posters, and speeches, with some even going into villages, units, and peasant family homes to carry out ideological indoctrination and ideological mobilization of the masses. One of the main reasons they did top-flight work "lay in their vigorous mobilization of the masses, their extremely patient persuasion of the masses, and the conduct of painstaking ideological and political work among the masses."

Second, cadres, leaders, and organizers at all levels in the soviet area set a personal example, and took the lead in serving as models, which was the key to the formation of the revolutionary tradition of close links with the masses. At that time, organizers and leaders at all levels in Xingguo did not stand above or apart from the masses, but among the masses with whom they shared the bitter and the sweet, and went through thick and thin together. Despite the frenetic combat environment, the older generation of revolutionaries, including Mao Zedong, Zhou Enlai, and Zhu De never forgot the masses for a minute, nor did they forget that they were the servants of the masses. When Comrade Mao Zedong visited Xingguo in 1929, the area was experiencing a drought. He and his security guards went to the suburbs and to rural villages to tread waterwheels, lifting water to fight the drought and helping the masses transplant rice

seedlings. After Comrade Peng Dehuai arrived at Xinguo, he led officers and men of the 5th Red Army into the mountains to gather firewood for cooking and keeping warm in order to lighten the masses' burdens. This spurred cadres at all levels from top to bottom at Xinguo in the soviet area to form a fine atmosphere of sharing the masses' hardships, thereby gaining the love and esteem of the popular masses.

Finally, a fundamental point was upholding the basic Marxist principles pertaining to the "masses create history." In speaking about the flaws in historical doctrine before the advent of Marxism, Lenin said that one of the two shortcomings of the old historical doctrine was that it "just never realized the dynamism of the popular masses." It did not realize that the masses of people are the creators of history; consequently, it was unable to take a mass line or use the mass outlook to study and formulate its own policies, much less was it able to guide mass practice. Only Marxism overcame this shortcoming. The Marxist outlook of close links with the masses was carried on and developed by Comrade Mao Zedong, who said, "Revolutionary warfare is mass warfare. Only through mobilization of the masses can warfare be carried on, and only by reliance on the masses can warfare be conducted." Practice in the soviet area was also a vivid reflection of this doctrine.

During the past 60 years, the revolutionary tradition of the soviet area has ever been remembered and cherished. Regrettably, in recent years, as a result of the influence of bourgeois liberalism, the revolutionary tradition of close relations with the masses, like other revolutionary traditions in the soviet area, has been diluted and has become a matter of indifference. Both history and today's realities are calling out. The party's cadres, particularly leading cadres, must deepen their understanding of close relations with the masses. In the course of the distinctively Chinese socialist modernization, they should vigorously carry on the soviet area revolutionary tradition of close relations with the masses, and make it shine.

CENTRAL-SOUTH REGION

Leadership Shared by University CPC Committee, President

90ON0316B *Zhengzhou LINGDAO KEXUE*
[LEADERSHIP SCIENCE] in Chinese
No 12, 18 Dec 89 p 39

[Article by Ji Xin (0679 2450): "How To Understand the Principal Responsibility System Under the Party Committee Leadership"]

[Text] Our institutions of higher learning have practiced several different leadership systems since the founding of the People's Republic of China. The past experience has demonstrated that the university-president-in-charge system under the leadership of university party committee has the advantage of keeping our institutions of higher learning on the track of socialism and to train the

right people. This system is relatively more practical for our institutions of higher learning. The CPC Central Committee recently proposed that for a long time in the future our institutions of higher learning should continue to practice the university-president-in-charge system under the leadership of the university party committee. How do we understand the concept of the university-president-in-charge system under the leadership of the university party committee correctly?

The university-president-in-charge system under the university party leadership means the "three-in-one" system in which the party committee makes decisions, the president implements policies, and the masses control management in a democratic way. The system reflects three dimensions of university management—the collective decisionmaking by the party committee, the implementation of policies by the president, and the participatory democratic management by the masses—in dealing with issues of long-term development plans for higher education, annual plans for the school, major reform proposals, cadre and faculty appointment, as well as other issues concerning everyone's interest.

The party committee should be the center of leadership in providing ideological training and building a team of political workers that is both well trained and specialized in different fields. The party committee should also involve itself in cadre appointment and other administrative duties such as providing political checks for the purpose of sending faculty members abroad, and academic appointments and promotions. In addition, the party committee should reinforce its leadership role in mass organizations such as the trade union, the Communist Youth League [CYL], and the student organization.

The management of institutions of higher learning is like operating a huge, systematic machine. In running a university, the party organization should not undertake every responsibility. The party committee should instead encourage administrative cadres to work independently and to take responsibilities. The president of a university should take charge of operating the day-to-day school administration and management. The president should be held responsible to the party committee. And in turn, the vice president of university should be held responsible to the president. The vice president should personally take charge of the daily administration of subordinate departments and offices. Under the centralized leadership of the president, the vice president should implement various policies decided by the party committee through different administrative channels.

Of course, on issues of either important policies made by the party committee or the daily operation administrated by the president, we must uphold the democratic management principle, and oppose "individual decisionmaking" and despotic reigns in running institutions of higher learning.

Political Functions of Enterprise Party Organization

90ON0316A Zhengzhou LINGDAO KEXUE
[LEADERSHIP SCIENCE] in Chinese
No 12, 18 Dec 89 p 38

[Article by Wang Jixin (3067 7139 2964): "How To Accurately Understand and Play A Key Political Role of the Party Organizations In Enterprises?"]

[Text] Point one: The party Central Committee has emphasized the need to promote the political core role of the party organization in enterprises. This emphasis was made by the party in the Fourth Plenary Session of the 13th CPC National Congress on lessons learned as a result of the CPC experience in recent years during which the party leadership and ideological work were neglected and this negligence had caused severe damage. It is also a brilliant policy based upon a full realization of the urgency and the need to strengthen party building. This emphasis is also an important measure taken to further improve the "factory director responsibility system." The party leadership is not only essential to the success or failure of an individual enterprise, it is also vital to the fate and future of our party and our state. This definitely is not an issue of power transfer and power redistribution between the state and the party. Therefore, while continuing to practice the "factory director responsibility system," attention must be given to strengthening the effect of party organization's political core role as well as ideological work in enterprises. We can neither reduce the effect of the enterprise party organization nor can we weaken the party leadership and ideological work because of our practice of the "factory director responsibility system."

Point two: The essential political core role of the party organization in an enterprise should include the following points: to improve the party's own ideological organizational work as well as its style; to play a leadership role in political ideological work, and in the building of spiritual civilization of the enterprise; to guarantee the supervision and secure the implementation of the policies set by the party and the state, and the enterprise's adherence to socialism.

The effect of the party organization's political core role can be established through the following procedures: to thoroughly comprehend and firmly implement the lines, policies, and principles of the party and the state; to provide criticism and suggestions should the enterprise deviate from the lines and the policies set up by the party and the state so that socialism is secured. To strengthen the management of middle-level cadres by providing timely investigations of cadres, stressing the importance of politics, and carrying out necessary adjustments according to work demands. To assume a political ideological leadership role through party representative and worker representative meetings. In these meetings mobilize party members and masses to fulfill production plan.

Through powerful political ideological work promote socialist spiritual civilization and "the four haves" among enterprise workers.

Point three: The distinction between the "core" political role of the party in enterprises and the "center" role of the factory director can be understood in the following manner. The functions of the party organization in enterprises is to provide a guiding role in the implementation of the line, policies, and principles of the party, and in political ideological work. The function of the factory director is to play a central role in handling enterprise management, production command, and technical innovation. The implementation of important policy issues concerning production management and personnel appointments, must be collectively decided between the party committee and the state in order to avoid individual subjective judgment. Therefore, the relationship between the "core" role [of the party] and the "center" role [of the factory director] is one of coordination and mutual support since both have the same goals. The only distinction is the difference in responsibilities. On political issues, the "center" should obey the "core" so that the enterprise will follow the correct political line. On management and production issues, the "core" should support the "center" and guarantee the factory director's ability to implement his administrative power to fulfill production and management responsibilities.

Hainan Urges Implementation of Central Meeting Spirit

HK2903072490 Haikou Hainan Provincial Service
in Mandarin 2300 GMT 27 Mar 90

[Excerpt] Recently, the provincial party committee issued a circular, demanding that party organizations at all levels in this province and all Communist Party members conscientiously study and implement the "Decision of the CPC Central Committee on Strengthening the Ties Between the Party and the People," discussed and adopted by the Sixth Plenary Session of the 13th CPC Central Committee.

The circular points out that the decision is an extremely important Marxist document and a new summation and development of the party's mass line. It is of great guiding significance in ensuring long-term tranquility in our socialist motherland. The decision has stressed the great importance of party building and put forth a definite guiding ideology and concrete measures for it, namely, to further develop the party's good tradition and style and continue with unwavering efforts to improve the party's work style so as to overcome the unhealthy tendencies within the party and the negative and corrupt practices among some party organizations and party-member cadres, such as bureaucratism, subjectivism, formalism, individualism, and the abuse of one's power to pursue private interests, so as to strengthen the ties between the party and the masses, increase the party's fighting capacity, and give full play to the party's role as

the core of leadership in reform, opening up, and the socialist modernization drive. [passage omitted]

Hainan Public Security Organs Modernize Communications

HK2803152590 Haikou Hainan Provincial Service in Mandarin 0500 GMT 27 Mar 90

[Text] Over the past two years, with the help of the local people's government, public security organs in Haikou City have invested a total of 2 million yuan in developing a public security-related telecommunications network. Now they have each set up a telecommunications section and purchased advanced equipment, including wireless telephones and wireless transmitters.

Now public security organs in Haikou City have been equipped with both wired and wireless telephones, wireless transceivers, wireless transmitters, and a wireless communications center, thus forming a comprehensive telecommunications network and enhancing their capability of responding quickly to and coping with all types of eventualities.

NORTHEAST REGION

Liaoning Vice Governor on Finding Jobs for Retired Soldiers

SK1803224690 Changchun Jilin Provincial Service in Mandarin 1030 GMT 15 Mar 90

[Text] Station Reporter (Gao Yujie) was informed at the provincial conference, which concluded today, of the work of finding jobs for retired soldiers. This year, our province is estimated to be finding jobs for 50,000 retired soldiers, the highest in the past 10 years.

The conference also pointed out: Along with the progress of improving the economic environment, rectifying the economic order, and deepening reforms, many new situations in finding jobs for retired soldiers have emerged. Some enterprises that are forced to totally or partially stop their operations and some enterprises with full or excessive staff are not willing to accept retired soldiers. This has brought about difficulties in the work of finding jobs for urban retired soldiers.

Vice Governor Wu Yixia pointed out: We need to appropriately find jobs for retired soldiers in order to safeguard the stability of the country and the army. So, we should accept it as a long-term political task and tend to it. We should accurately define tasks and have firm confidence in carrying out the task of job placement according to policies. In finding jobs for urban retired soldiers, we should resolutely implement the policy of having departments take responsibility for fulfilling the assigned job placement task, be steadfast on the principle of job placement according to different characteristics, and appropriately readjust the wage bills of the units where retired soldiers are transferred. In finding jobs for

rural retired soldiers, we should prominently tend to the work of cultivating personnel with both military and civilian skills.

Wu Yixia also urged: Governments at various levels should strengthen their leadership and bear the responsibility of satisfactorily fulfilling this year's job placement task.

Governor Shao Qihui on Heilongjiang, National Future

90ON0380A Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 208, 16 Jan 90 pp 24-30

[Article by Li Guoqiang (2621 0948 1730): "Developing Heilongjiang Along Scientific Policy Decisions—Interview With Heilongjiang Governor Shao Qihui"]

[Text] On 23 December 1989, I interviewed Heilongjiang Governor Shao Qihui (6730 1142 1920) in the conference room of the Heping Guesthouse in Harbin, Heilongjiang Province.

His Achievements Are on Everybody's Lips

Shao Qihui assumed his post less than a year ago, and outsiders still don't know him too well. However, the fame of many achievements connected with his name has already spread far and wide, such as his deeply probing social investigations, night checkups on bank vaults, and the "383 project" [efforts to stabilize prices for the 383 items that are the basis for the overall commodity price index]. RENMIN WENXUE [PEOPLE'S LITERATURE] of Beijing has twice published very touching articles about his deeds. More important, even during the short time he has been in office, his accomplishments have been outstanding and are praised by everyone. What kind of man is Shao Qihui? What is his background? How did he rise to his high position? To resolve the economic difficulties in China and in Heilongjiang Province, what special insights has he and what cures did he institute? On my visit to Heilongjiang for this interview, we had a very thorough discussion, lasting from dusk to 2100 in the evening. Outside, the winter was bitter cold with temperatures below minus 20 degrees F, but the room was comfortably warm. The more we talked, the more animated the discussion became. My discussion with this man, a senior engineer and inventor of mechanical devices, simply dressed, with high forehead, slightly thinning hair, and sharp in his responses, had me see in him in miniature the future of Heilongjiang, and also the area of hope for China.

An Intellectual Family Background, the Whole Family With Outstanding Achievements

Shao Qihui was born 16 June 1934 at Wuxi; his original native place is Yixing County (now Yixing Municipality) in Jiangsu Province. Wuxi and Yixing both have long been famous in China and abroad for being Jiangsu's "land of fish and rice" and for the "zisha" [purple sand]

pottery of Yixing. However, Shao Qihui has spent little time in Yixing. On the outbreak of the Sino-Japanese War in 1937 and after the fall of Nanking, Shao Qihui, at age 3, moved with his parents to Sichuan.

Shao Qihui was born into a family of intellectuals. His father, Shao Jun [6730 0971], was a well-known Chinese forestry expert. In his early years, he studied at the Imperial University of Hokkaido, Japan, in his twenties he became professor at the Hebei Agricultural College, and during the War of Resistance Against Japan he taught at Sichuan University. In this way Shao Qihui spent the entire eight years of the war in Chengdu, Sichuan. In the last year of the war, Shao Jun became dean of the forestry faculty of Zhejiang University, which was at that time temporarily located at Zunyi in Guizhou Province. Shao stayed one year in Guizhou before he moved back to Hangzhou. Thus, as a consequence of the national calamity and the ravages of war, Shao Qihui spent his entire childhood in Chengdu, Guizhou, and Hangzhou.

In September 1945, after victory in the War of Resistance Against Japan, Shao Qihui returned with his family to their native place, Yixing, where he spent the next year, studying in junior middle school. At that time, his father had a house in Hangzhou, and Shao Qihui with the whole family moved to Hangzhou in 1947, where he entered the middle school attached to Zhejiang University, as a sophomore in junior middle school. After the "liberation" of Hangzhou in 1949, Shao Qihui began his studies in senior middle school and also started to participate in student movements. He joined the Communist Youth League in 1950 and was elected chairman of the student association.

Shao Qihui's father was a member of the Democratic League. At that time, Zhejiang University had assembled a group of nationally famous professors, including university president Zhu Kezhen [4555 0668 2823], mathematician Su Buqing [5685 2975 7230] (now vice chairmen of the CPPCC [Chinese People's Political Consultative Conference]), and others. In 1952, in a readjustment of the university, Shao Jun, as teacher, and all students of the forestry college of Zhejiang University were transferred to Harbin, Heilongjiang Province, and reorganized into the Northeastern Academy of Forestry. In 1957, Shao Jun became deputy head of the Heilongjiang provincial forestry department, later also vice chairman of the Heilongjiang Provincial Political Consultative Conference, member of the Central Committee of the Democratic League, and a member of the CPPCC. He died in 1977. Shao Jun's wife, Shao Qihui's mother, had died two years earlier in 1975.

At Middle School Already Deputy to the Zhejiang Provincial People's Congress

Shao Qihui graduated in 1952 from Zhejiang Second Middle School. At the middle school he had already been a deputy to the Zhejiang Provincial People's Congress. He originally wanted to go on to the university, but the

youth league organization at the university made him stay on as secretary of the youth league at Zhejiang Second Middle School, which was a key middle school. As a result, he could not go on to studies at a higher institution.

In 1953, at the age of 19, Shao Qihui joined the CPC.

In 1955, Shao Qihui transferred to the municipal party committee of the Hangzhou Youth League as deputy chairman of the general office of the youth league's municipal party committee and deputy chief of the department in charge of schools, working on student affairs.

In 1958, because he differed in some of his views with the views of the party, he received unfair treatment under the ultraleftist political line prevailing at that time. He was erroneously labeled an antiparty and antisocialist element, expelled from the party, and had to undergo ideological remolding at Hangzhou.

Inventions and Creation Under Adverse Circumstances

In 1962, Shao Qihui returned to Harbin and worked as a laborer in the Harbin Forestry Machinery Plant, and this was a start of yet another stage in his development.

On the one hand he worked as a laborer, but at the same time he studied at the night university of Harbin Industrial University. He graduated from the night university in 1967. At the Harbin Industrial University, his achievements were especially good, and in the factory he also did an outstanding job. In the factory he proved himself very capable in designing and in improving techniques. He, moreover, made some inventions and new creations in connection with special-purpose lathes and processing lathes, which earned him many rewards. Merely for the reason that he was at that time still an "antiparty, antisocialist element" and he was not yet rehabilitated, there were restrictions on the way in which he could be used. However, the party committee at the factory thought highly of him, and many technical problems in the factory were resolved thanks to his knowledge and efforts.

In 1979, following the Third Plenary Session of the 11th CPC Central Committee, the Hangzhou municipal CPC Committee and the Harbin Forestry Machinery Plant, where he was working, fully rehabilitated him, restored his party membership, and restored every form of treatment to which he was entitled.

In 1980, Shao Qihui became chief engineer of the Harbin Forestry Machinery Plant.

Already 44 Years of Age at Time of Rehabilitation

In 1982, he was appointed plant director and chief engineer.

In 1983, he was promoted to senior engineer, among the first batch of new senior engineers in all the forestry departments of the state.

Apart from his inventions and creations, Shao Qihui had also published special publications. In 1979 and in 1981, he published two articles: "The Designing and Manufacture of Special-Purpose Lathes" and "Numerically Controlled Lathes." The latter displays not only his knowledge of forestry machinery, but also his proficiency and abundant knowledge in the fields of mechanics, electricity, mathematics, and hydraulic pressure.

At the time of his rehabilitation he was already 44 years of age. Even though he had suffered 21 long years of unfair treatment, as he was looking back at this phase of history, Shao Qihui told me something that is worth pondering, and that has my full sympathy: "Those past events had been only a historical phenomenon; one must not be swayed by personal, individual feelings in viewing those questions. A person's contributions to the state are the most fundamental and most important things, and apart from these a person has no special interests and demands. In the past, even in my dreams I never thought that I would be rehabilitated, and had even less imagined that I could advance to the post of provincial governor. At the time I was not yet fully understood, but I nonetheless worked diligently, and now I will, of course, work several times harder. Be that as it may, regardless of the circumstances under which one works, the most important thing is to be loyal to the motherland and be devoted to one's work."

Wife's Full Support During Times of Adversity

Shao Qihui married in 1964, when he was 30 years of age. His wife, Han Yaqin [7281 7161 3830], now 49 years old, is originally a native of Shandong, but was born in Harbin. She was a schoolmate of Shao Qihui at the night university. When Han observed his work, study attitude, and general conduct, she had much sympathy, admiration, and understanding for him and courageously married him against the firm opposition of the unit leadership. For this, she also suffered unfair treatment, a transfer to another post, and was prevented from becoming a regular worker when due for this promotion.

Some say that behind every successful man, there is a woman. I found that Shao Qihui and his wife resemble each other very much in appearance. Shao Qihui smiled and nodded in agreement. He said, the longer people live together, the more they become similar in appearance. Governor Shao told me, "Since my marriage, she silently supported me in all my work, inventions, writing, and creations. She shoulders full responsibility for all domestic work and sacrifices her own affairs. She is now an economist, working at the Town and Township Enterprise Bureau of Heilongjiang Province, and has been all along busy in connection with industrial and civilian constructions."

Shao Qihui has two children. His eldest son graduated in 1987 from the Harbin Marine Engineering College (successor to the famous Harbin Military Engineering College, the institution where Mao Yuanxin [3029 6678

2450] once had studied). The second son is now a sophomore in senior middle school.

Shao Qihui and his family, we may say, present a miniature picture of the intelligentsia of modern China in their quest for national prosperity and strength. Shao Qihui and his father have worked hard all their life, striving to make the country prosperous and strong, and all the six brothers and one sister of that family have studied to become experts in a special field of knowledge. They are high-level intellectuals who have made contributions to the nation. For instance, Shao Baoro [6730 5508 5387], the sister, is a well-known expert in the Shanghai Parasitology Research Institute.

Shao Qihui said that all these efforts are expended for the benefit of state and nation. This faith—despite all the reverses that have been suffered—will never change because it is bound up with the fate of the nation.

"Even in those days of the past when I was expelled from the party, I never declined the demands that the state or the party organization would make on me. After my rehabilitation, the needs of the party organization are for me even more impossible to refuse."

Four Years of Quick Promotions

In the last few years, Shao Qihui was rapidly promoted.

In April 1985, Shao Qihui became deputy secretary of the Harbin Municipal CPC Committee.

In May 1987, he was transferred to the post of secretary of the Qiqihar Municipal CPC Committee.

Six months later, in January 1988, at the Heilongjiang Provincial People's Congress, he was elected deputy governor of Heilongjiang Province, in charge of industry as well as science and technology.

In January 1989, he was again promoted to deputy secretary of the Heilongjiang Provincial Party committee and vice governor of Heilongjiang Province.

In March 1989, he was appointed governor of Heilongjiang Province.

How Can a Technocrat Administer a Frontier Province

Looking at the different phases of Shao Qihui's development, we see that he initially did technical work, later did work in connection with the control of enterprises, and again later did governmental leadership work. Heilongjiang is a large province with a vast territory, situated at China's northern border; all its conditions are very complex. How can a newly promoted technocrat effectively perform leadership work? Shao Qihui said, "The most fundamental precept is to rely on the party committee, work in a collective way, and function as a working group. Administering this large province of 35 million people is not a small matter. We must, first, rely on the Central Committee and the provincial party committee, second, on the masses, and third, on the

colleagues to perform the work as a joint effort. The incumbent vice governors are all well-experienced persons, and everybody is cooperating very well."

What is Shao Qihui's administrative policy? He said, "Our government is a people's government, and in that it differs from other governments. We must listen attentively to the demands of the masses, value their views as important, and do our best to satisfy them. Our work is determined, on the one hand, by the general and specific policies of the Central Committee, and, on the other hand, by the demands of the masses.

Precisely starting out from this line of reasoning, Heilongjiang's provincial government decided on the "383 project," and these efforts achieved outstanding successes, were welcomed by the people at large, and also received a public commendation from China's prime minister, Li Peng, who was of the opinion that the "383 project" must be resolutely carried through to its very end.

Starting in the middle of 1988, commodity prices everywhere in China steeply rose, and the masses resorted to panic buying of commodities. This very seriously affected the livelihood of the people, and the Central Committee demanded that the inflation problem be solved.

At that time, the masses in their actions started out from the most pressing and immediate personal interests, and demanded resolution of the problem of steeply rising commodity prices. Through systematic project analysis, Heilongjiang Province resolved the problem of market prices, and after somewhat over one year of effort throughout the entire year of 1989, the increases in commodity prices in Heilongjiang Province are now one of the lowest in the country. In 1988, commodity prices increased 17.8 percent, and in 1989 they declined by four or five percentage points, a fact that earned the acclaim of the Central Committee and of the masses within and outside of the province. Even some visitors from abroad praised the low prices in Heilongjiang Province.

Shao Qihui believes that a person in a governmental leadership position must never forget history, nor forget old sufferings of the past, and must go to the masses, listen attentively to the voice of the masses, not merely as a formal gesture nor as mere posturing, but as a genuine expression of responsibility toward the masses.

The "383 project" suits China's present demand for improving the economic environment and rectifying the economic order, and works to definitely improve the living standards of the broad masses of workers. During the past year, supplies of consumer goods in the markets of Heilongjiang have increased by 40 percent, and this has in return stimulated production.

Shao Qihui believes that economic stability is the basis for social stability. In the spring and summer of 1989, there was no big trouble in Heilongjiang Province, no car

was burned, nobody was killed, and shops were not plundered. We owe this to the economic stability in Heilongjiang Province.

Being governor without being trained for the job of governor, would he be able to perform well? Shao Qihui's experiences have actually been the earlier mentioned three reliances (reliance, first on the Central Committee and the provincial party committee, second on the people, and third on one's colleagues, working jointly as a group). Of course, his work style, faith, and leadership talent are also inseparably linked with his success.

Shao Qihui frankly said that, in the present atmosphere, if you want to worry, you can truly worry, but if you decide not to worry, that will also be all right, because we have some ways and means. Shao said that we made some investigations in the province and enquired among the people through the bureau of statistics, the labor unions, etc.: What work should the government do in 1990? What is satisfactory and what is not satisfactory? The people in general pointed out three things: commodity prices, public security, and avoidance of new political turmoil. Commodity prices must not go up like crazy, they must be stabilized. Public security must be effectively controlled, so that when people go to work they will not worry whether their homes might be burglarized, and when they come home they must not worry whether their children have been safe!

Shao said, in view of this situation, that we are determined to effectively deal in 1990 with the question of public security. The provincial party secretary, Sun Weiben [1327 4850 2609], recently said, "Whatever the masses eagerly look for, we shall do our best to accomplish; whatever the masses deeply hate and want cut down, we shall insist on eradicating."

Urgent Work at Hand and Long-Range Arrangements

Shao Qihui said, "I became provincial governor because the people and the party elected me; I myself had never before thought of it. It requires confidence, but one must not recklessly rush things. In the tasks of a province there are some matters that must be urgently attended to and some matters that require long-range planning. It will simply not do to neglect long-range planning."

The Heilongjiang provincial government spent one whole year of effort on it, mobilized over 1,000 experts, scholars, and relevant personnel, all in order to formulate a program: "Science and Technology as Relevant to Heilongjiang Province." The essential content of "Science and Technology as Relevant to Heilongjiang Province" comprises four topics: scientific policy decisions, scientific management, scientific and technological progress, and scientific and technological education. The long-range objective is to achieve sustained, sound, and harmonious progress in the economy and social conditions of Heilongjiang Province during the 11 years from 1990 to the end of the century, and its main objective is to achieve a rationalization of the economic structure.

Arrangements for the near future, the period from 1990 to 1991, are to set in motion various projects listed in the "Science and Technology as Relevant to Heilongjiang Province," within the larger context of improving the economic environment, rectifying the economic order, and deepening the reform. In Shao Qihui's opinion, the work style of the past was very deficient. There had been much enthusiasm, but also much arbitrary willfulness: at one moment this slogan, and the next moment that slogan; at one moment excessive fervor, and the next moment rectifications. Every year the slogans got more ambitious, and every year new plans were tabled. A new slogan issued this year would be redressed next year. The Fifth Plenary Session of the 13th CPC Central Committee put forward the policy of harmonious progress and long-range stability; what is Heilongjiang Province to do about it? Shao Qihui said it is just a matter of placing all tasks on an objective, scientific track and advancing at a steady pace in accordance with the conditions and resources of the province. What Heilongjiang will now firmly take in hand is agriculture, the "383 project," stabilizing commodity prices, tapping industrial potential and increasing industrial efficiency, and carrying out structural readjustments. We shall organize research, devise plans for feasible progress, fix our long-range objectives, our medium-range plans, and short-range arrangements. This will possibly allow us to go on from here in a better and more reliable way.

Shao Qihui told this reporter that the year 1990 will also be a year of severe tests as far as Heilongjiang Province is concerned. This is a province with natural resources. Its petroleum production accounts for 40 percent of the nation's entire production, it has the largest oilfield at Daqing, which produces 55.5 million tons a year, making it the country's top producer. Annual coal production is 70 million tons, placing it third in the country. Its annual timber harvest is 10 million cubic meters, placing it first in the country. Grain production is 333.4 billion jin, which places it second after Jilin Province in the production of marketable grain (if it were not for the calamity suffered in 1989, production could have exceeded 350 billion jin). Heilongjiang is also a base for machine building, especially of the larger types of machinery.

The policy of economic readjustment and retrenchments recently carried out in China is, of course, also greatly affecting Heilongjiang. However, Shao Qihui said that this also provides Heilongjiang Province with an opportunity to readjust its product mix, its technological structure, and enterprise structure.

Shao Qihui very cleverly said that Heilongjiang cannot forever go the old way of exporting raw materials and natural resources, but must readjust toward a foundation of higher efficiency.

Difficulties, Opportunities, and Hope

As to improving the economic environment and rectifying the economic order, Shao Qihui is full of confidence. He acknowledges that pressures are presently very

serious, but a correct utilization of pressures can turn them into motive power, and many effective methods can be gained under the effects of pressure and motive power. As the saying goes, An oppressed army fighting with desperate courage is bound to win, and defeat and setbacks are frequently due to complacency in times of success. In short, the problem is not that difficulties exist, but rather in how to turn pressure into motive power, to progress toward a correct way of thinking.

Shao Qihui said that Heilongjiang, of course, also feels the impact of the dramatic changes in the world, but even if we had no "sanctions," it would still not do to stick to the same old stuff. For instance, Heilongjiang flax, which was selling so extremely well in the past, is not very much in demand in the world market. We have to realize that products are affected by changes in the world market. We must not stand still and be complacent, and must particularly not regress to the stage of closing the country to international intercourse, but must rather actively open up new roads.

According to the original plan for 1989, Heilongjiang was to earn \$800 million from exports; the actual result was an earning of \$1 billion. Heilongjiang's trade with Eastern Europe and the Soviet Union rapidly increased in recent years. In 1988, trade with Eastern Europe and the Soviet Union amounted to 190 million Swiss francs, in 1989 it went up to 400 million Swiss francs. Shao Qihui disclosed that during his recent visit to the Russian Soviet Federative Socialist Republic, he was received with great ceremony as a state guest. The head of this largest member republic of the Soviet Union told him that Heilongjiang is their largest partner in border trade. I know that Hong Kong businessmen closely watch the Sino-Soviet border trade and also hope that they may be able through this trade to develop business with the Soviet Union and Eastern Europe.

Shao Qihui believes, "Due to Heilongjiang's geographic location, we can open up toward the West and at the same time toward the Soviet Union and Eastern Europe, an opening up in all directions. We shall also expand our relations with the Soviet Union from the present barter of commodities to technological exchanges, and relations of economic and trade cooperation. In this respect, we have already scores of plans ready. Heilongjiang has ample technologies, manpower, and facilities, which could help the Soviet Union develop its Far Eastern territory. Heilongjiang has already sent over 100,000 people to work in the Soviet Union's Far Eastern territory, most of them technicians and peasants. I foresee the possibility for larger developments in the 1990's."

Shao Qihui revealed that in the summer of 1990 nationwide trade talks will be held in Harbin on trade with the Soviet Union and Eastern Europe, and that such meetings will be held every year in future, so that just as the south has its Guangzhou Trade Fair, the north will have its Harbin Trade Fair. The function of Heilongjiang as a continental bridge will in future be well established. With the internal readjustments and its opening up to

the outside world, Heilongjiang's economy will make steady progress. Shao Qihui said, "I have full confidence in the advantages we have here in this respect."

Cooperative Dealings Between Heilongjiang and Hong Kong

As for cooperative dealings with Hong Kong, excellent relations have indeed been established between Heilongjiang and Hong Kong during the last few years. Heilongjiang has attracted over \$200 million in foreign capital, most of it from Hong Kong. But Heilongjiang is late in its development, and it is far away from Hong Kong. There had been little propaganda in the past, so that some people in Hong Kong lack knowledge and understanding of Heilongjiang. They believe Heilongjiang is a "northern wasteland," a bleak and desolate landscape, and exaggerated descriptions have been made of the terror of winter in Heilongjiang. Actually, conditions are not like that. The truth is, according to this reporter's seven days of observations on the spot, that Heilongjiang has a large area that is sparsely populated. It has abundant natural resources, commodity prices are stable, and communications are not backward. In winter, you are inside buildings more comfortable than in the regions south of the Chang Jiang, and outside, if well protected against the cold by ample clothing, it is not at all so frightening. The important thing is: For anyone who intends to start up a business, Heilongjiang can yet be regarded as a good place to make an appearance for economic development. Why not come and see for yourself rather than believe in hearsay! Heilongjiang has set up over 10 enterprises and companies in Hong Kong which, we are told, develop very healthily, and which play an excellent role in attracting Hong Kong technologies and capital.

As a high-level intellectual himself, Shao Qihui finally expressed the opinion that it is very sad if intellectuals cannot clearly recognize their prospects. As China is a large country with one-quarter of the world's population, global developments can never forego the cooperation of this country, whatever may happen. Since other countries can advance in their developments, the Chinese nation can also advance. Actually, that China could advance to its present condition was not easy. Think of it: In what a dilapidated and backward condition was China 40 years ago! Shao said, "I don't intend to pronounce pretentious slogans, but I trust the Central Committee is able to solve problems. It is not right to take difficulties too lightly, but it is equally no good to be hopeless and give up. I know from life experience that this is true. To be provincial governor is a fortuitous opportunity for me, it is not that it had to be like this, it is possibly an opportunity. A province has only one governor, and my hard work of the past was not performed with the purpose in mind of becoming provincial governor. Four years of development have made me take a few large steps, the pressure is great, but I can work hard and carry on."

As I look at Shao Qihui, he appears to embody China's hope and represents in miniature China's capable intellectuals. He has no impassioned, pompous, and high-sounding style, he was familiarly talking on and on, hitting the mark with every phrase he said, cutting right through to the vital part of the problem. He is simple and unpretentious, but in actual work has made many substantial contributions, I congratulate the province of Heilongjiang for having so excellent a governor and wish that Heilongjiang may have years and months of scientific and technological construction, and that it will gain prosperity and strength at an early date, and make many more contributions to the nation.

Three F-104 Jet Fighters Crash in North

*OW2403203290 Taipei CNA in English
1540 GMT 24 Mar 90*

[Text] Taipei, March 24 (CNA)—Three single-seated F-104 jet fighters of the Republic of China Air Force crashed Saturday morning during a routine training in northern Taiwan, killing the three pilots on board.

An Air Force control center lost contact with the three ill-fated F-104s about 11 AM when the jet fighters were flying back to their air base after completing the training.

The weather condition suddenly changed for the worse shortly before the crashes, the military news agency reported.

The wreckage of the combat aircraft was later found in Hsinfeng, Hsinchu County, and in Hsinwu, Taoyuan County, during a five-hour intensive search in northern Taiwan.

No civilian injuries were reported.

Air Force authorities said they were investigating the cause of the mysterious crashes.

Albert Ho Chun-yan's Perspective on 1990's

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[CONTENDING] in Chinese No 147, 1 Jan 90 pp 86-87

[Article by Xie Xiao (6200 4607): "Democracy Faction Wants To Survive 1997: An Interview With Albert Ho Chun-yan (0149 0193 0088)"]

[Text] The cold winds blowing from the north have people trembling not from cold but from fear. As they enter the 1990's, Hong Kong's citizens are at a crucial juncture, as the shadow of 1997 looms ever larger.

In an interview with this magazine on 21 February 1989, Mr. Albert Ho Chun-yan stated that those who cry "It's patriotic to support the government's power" are really the dregs of Hong Kong; their philosophy of licking the hand of whoever feeds them is truly untenable in the current international climate. In this age of instability, he exhorts Hong Kong people to unite in order to save themselves.

At This Juncture There Is Still Room for Democracy Factions

[Xie] Five years after the Sino-British Joint Declaration was signed, RENMIN RIBAO in a strongly worded essay asserted that the high-level power to self-govern was conferred upon Hong Kong by the Central Committee, and in no way signifies any independent or semi-independent true political power. Do you believe that there will continue to exist in Hong Kong a "Hong Kong independence" tendency?

[Ho] That the Communists accuse Hong Kong of trying to achieve political independence is nothing new; that year there were many who were purely opposed to the 1988 direct elections who said that sort of thing.

What I want to point out is, the democracy that Hong Kong people are demanding is nothing more than the high-level self-government agreed to in the Sino-British Joint Declaration. During the 1980's, Hong Kong matured; it is only natural to demand democracy now. Without mentioning independence and partial independence, you cannot begin to talk about Hong Kong people's interest and participation in the political system.

Chinese Communist officials have never explained what they meant by true political power, and Hong Kong participants in the government have never raised the issue of Hong Kong independence. We have come to feel that China is using this phrase to strangle Hong Kong democracy.

[Xie] Doesn't "Hong Kong independence" imply the rise to power of democracy factions?

[Ho] Yes. To the Communists, people on the mainland who have dissenting ideas are antiparty, antisocialist. In Hong Kong, because this is one country with two systems, it is difficult to wear that hat. Therefore, they use

accusatory phrases such as "splitting off," "independence," and "opposing Chinese unity." If it can be said that Hong Kong's demand for high-level autonomy is an attempt to achieve independence, then the root of that is "one country, two systems," which originated with Deng Xiaoping. This is not a hat that can be worn; the central government controls foreign policy and defense, so how could Hong Kong be independent? If the current laws are revised, the government will certainly have control and can be on guard against those activities it opposes. This reflects the feelings of the Communists, who fear that a democratic government elected by the people is uncontrollable. From this it can be seen how the Chinese Communists basically cannot tolerate a pluralistic, capitalistic system.

[Xie] After the 4 June incident, the Communist authorities not only did nothing in Hong Kong to restore the people's confidence, they even made threatening statements; what kind of attitude does this reflect?

[Ho] The bloody suppression of the democracy movement on June 4 was a blow against Hong Kong's democracy faction. We can see how the prestige of China's rulers and their ability to govern have encountered a great crisis, and they are naturally very sensitive to dissidents. Especially because of the reactions of people in Hong Kong during the student movement period, the Chinese leadership felt even more hatred and fear. At least it is not yet 1997, so they cannot yet "settle accounts after the autumn harvest" with us but only put pressure on us through public opinion.

[Xie] How do you deal with this kind of pressure? During this critical transitional period, is there room for the democracy factions' activities?

[Ho] After 4 June, the situation looked bad for Hong Kong. However, under the influence of the current international climate, people now understand the importance of democracy. The trend in the world is toward openness; if China wants to keep up with the times and fix its economy, it cannot complacently stand still. From the point of view of these analyses, we are optimistic; China's present way of ruling can not last very long. But in the short term, locally speaking, we are still very passive; we have become targets to be surrounded and trapped. Fortunately we still have seven years. The Communists are still unlikely to do anything extreme; after all, Hong Kong is an international city, and on top of that the economy on the mainland is in quite a mess and they need to rely on Hong Kong, so right now we still have room for action.

After 4 June, Dreams of Democracy Were Shattered

[Xie] Do you not feel that, in a communist system, the concept of "one country, two systems" is a myth?

[Ho] We of the Democracy Faction look at questions as they relate to reuniting with China. Clearly, the Joint Declaration gave us a number of dreams, such as the one

that Hong Kong is basically different from the mainland and can gradually become a democracy. But after 4 June this dream was destroyed.

[Xie] Has not organizing been the primary job of the Democracy Faction up to the present? The curtain has already fallen on the "consultative game" to produce the Basic Law; what activities are you engaged in to obtain a democratic system?

[Ho] Entering the nineties, we have two tasks. One is to face the ever greater pressure from China; we must protect our own freedom, continue to support the Chinese democracy movement, and oppose the Beijing massacre. A united effort in this regard can take on an important role. Another task is to struggle for democracy in Hong Kong. Although the current political climate in China is an evil one, it is a temporary phenomenon. Hong Kong must develop a democratic culture, democratic ideas, and democratic skills and wait until the opportunity is ripe, and then it can vigorously take up the gauntlet. The Basic Law is not democratic, so we still have to fight. What we are doing will exceed the 1997 agreements.

I want to emphasize the point that party factions and the branch associations are different organizations; the future leaders also will not necessarily be the same. The democracy faction is a regional party; it cannot get dragged into internal politics in the country, and the branch association supports the democracy movement. There is no contradiction in purpose; they have a united spirit.

Those Who Surrender to Their New Lord Cannot Save Themselves

[Xie] In pursuing your democratic objectives, what is the greatest crisis you face? Li Hou [2621 1775] has already announced that the alliance association must be dissolved in 1997; has this hurt your morale?

[Ho] This kind of talk has certainly struck a blow. Yet, how to deal with the 1989 student movement is a question of right or wrong; people all over the world, including people in China, are watching the situation carefully. I believe that the branch association has the broad support of the people; at the very least, if after 1997 there are those who wish to dissolve it, even to the extent of using military power to enforce their will, we will not lose our ideals. That is to say that does not mean we will not support the democracy movement within the country if the branch association does not survive.

The efforts of the branch association are enlightened and just, not subversive; it is a peaceful, nonviolent, principled struggle for democracy. Strictly speaking, it is a media organization, pushing China to walk the democracy road.

[Xie] Have you considered the consequences of these methods? There are press reports indicating that you have offended the Communists, that you are stirring up Hong Kong.

[Ho] This is a childish argument. You believe that letting the people govern means you are out of control? In this world, those who are meek will get pushed around. During the past few decades, have not the Chinese people been obedient? The consequences are worth considering. In the 1989 democracy movement, we saw many changes taking place in Chinese society; the only thing that has not changed is that elite layer of old fogies.

[Xie] You mentioned using the international media to push China to make progress, but the Chinese Communists always call this interference in their internal affairs.

[Ho] Overseas Chinese certainly have the right to demand that China respect human rights. Human rights are without national boundaries; since China has already joined the United Nations and signed the International Declaration on Human Rights, this means they have accepted the standards that all civilized societies accept, and they can not arbitrarily accuse people at any moment of interference in internal affairs. Others are also free to impose sanctions; if they look down on you, they do not do business with you.

[Xie] A hot topic recently has been the internationalization of Hong Kong. The Communists have emphasized that the Hong Kong question can not be subjected to international debate; what is your opinion?

Hong Kong Citizens Have the Right To Decide for Themselves Whether To Stay or Leave

[Ho] In fact, the Communists have never clearly defined "internationalization." Saying they do not want something to be discussed in an international forum reflects the Beijing leadership's conceited, self-centered, autocratic, close-minded, feudal attitudes. China itself often discusses the affairs of other nations; as for whether discussion has any binding power is another question.

The reason for Hong Kong's success is that it became internationalized. The political insurance that foreign countries give to Hong Kong is necessary; without this kind of insurance, Hong Kong would not even last until 1997. If China were to oppose this as well, it would destroy our prosperity and stability, and it seems that China would inherit a holy mess when it takes over Hong Kong. The Sino-British Joint Declaration settled this point early on; it was only specified that the chief executive and top officials not be British citizens. Now to add in more restrictions would really violate the accord.

[Xie] Some people suggest that the British residency rights recently brought up by the British Government are inconsistent with the Sino-British agreement; do you agree?

[Ho] Some say that in 1997 both land and people will be handed over to China; this is laughable. People are not property; how can you just hand them over to a country? Every country has the right to draw people in and make them citizens, and Hong Kong people have this kind of freedom as well. If we must consider the situation strictly in terms of national sovereignty, and we say Hong Kong citizens do not have the right to own Hong Kong and do not have the right to self-determination, then all right,

we will not argue the point, but we at least have the right to decide for ourselves, the right to be the citizens of whatever country we choose, and this has nothing to do with Beijing. To tell you the truth, to be a Chinese and to see one's compatriots everywhere begging foreign countries to let them in is really a great shame and tragedy. But the Hong Kong people ought to do this; what causes us to lose face is the Communists' behavior, not ours. They lost all face after the 4 June incident.